THE INSTITUTE OF
Company Secretaries of India
भारतीय कम्पनी सचिव संस्थान
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME

for

June, 2023 Examination

SECRETARIAL AUDIT, COMPLIANCE MANAGEMENT AND DUE DILIGENCE

(Supplement covers amendments/developments from August 2021 to November 2022)

MODULE 2

PAPER 4

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Lesson 1- Compliance Framework

1. Risk profiling of a Company may include the following risks:

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(i) Whether risk management policy and procedures are in place?
(ii) Whether formal risk assessment has been carried out or not?

2. Business Ethics Framework
(i) Whether whistle-blower policy and Code of conduct exists and implemented?

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(i) Whether legal compliance framework is documented and compliance health to checked on periodic basis?

5. Fraud Risk Management
(i) Whether Fraud Risk Management policy exists, detailing structure of fraud deterrence, prevention and investigation, fraud incidence response guidelines.
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(i) Whether Disaster Recovery Plan, Business continuity plan and crisis management policy defined and implemented?

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(i) Whether formal process of succession planning defined and implemented?

8. Management Operational Review
(i) Whether formal process management oversight and review mechanism exist and followed.

Lesson 2- Compliances

1. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2021 (August 3, 2021)

SEBI vide its notification dated August 03, 2021, amends the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on January 1, 2022.

The amendments, *inter alia*, include the following:

- The listed entity shall ensure that approval of shareholders for appointment of a person on the Board of Directors is taken at the next general meeting or within a time period of three months from the date of appointment, whichever is earlier. [Reg. 17(1C)]- New Insertion
- At least 2/3rd of the members of the audit committee shall be independent directors and all related party transactions shall be approved by only independent director on the audit Committee. [Reg. 18(1)(b)]
- The composition of Nomination and remuneration committee has been modified to include at least 50% independent directors instead of existing requirement of 2/3rd of independent directors. [Reg. 19(1)(c)]
- The appointment, re-appointment or removal of an independent director of a listed entity, shall be subject to the approval of shareholders by way of a special resolution. [Reg. 25(2A)]- New Insertion
- The requirement of undertaking Directors and Officers insurance has been extended to the top 1000 companies with effect from January 01, 2022. [Reg. 25(10)]
- No independent director, who resigns from a listed entity, shall be appointed as an executive / whole time director on the board of the listed entity, its holding, subsidiary or associate company or on the board of a company belonging to its promoter group, unless a period of one year has elapsed from the date of resignation as an independent director. [Reg. 25(11)]-New Insertion.

For more details visit:
https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-third-amendment-regulations-2021_51719.html

2. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2021

The amendments, inter-alia, provides the "'non-convertible debt securities', 'non-convertible redeemable preference shares', 'non-convertible securities', 'perpetual debt instrument' and 'perpetual non-cumulative preference share' shall have the same meaning as defined under the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. Further, the regulation 15, and regulation 16 to regulation 27 w.r.t. the corporate governance provisions shall apply to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed nonconvertible debt securities of Rs. 500 crore and above.

However, in case an entity that has listed its nonconvertible debt securities triggers the specified threshold of Rs. 500 crore during the course of the year, it shall ensure compliance with these provisions within six months from the date of such trigger.

For more details visit:
https://www.sebi.gov.in/legal/regulations/sep-2021/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2021_52488.html

3. **Master Circular on (i) Scheme of Arrangement by Listed Entities and (ii) Relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957**

SEBI, from time to time, has been issuing various circulars/directions which lay down the detailed requirements to be complied by listed entities while undertaking schemes of arrangements. In order to enable the users to have access to the applicable circulars at one place, Master Circular in respect of schemes of arrangement has been prepared. This Master Circular is a compilation of relevant and updated circulars issued by SEBI which deal with schemes of arrangement and which are operational as on date of this circular.

The circular contains matters in two parts. Part I deals with requirements before the Scheme of arrangement is submitted for sanction by the National Company Law Tribunal (NCLT):
-Requirements to be fulfilled by listed entity;
-Obligations of Stock Exchange(s);
-Processing of the Draft Scheme by SE.

Part II deals with Application for relaxation under Sub-rule (7) of rule 19 of the Securities Contracts (Regulation) Rules, 1957:
-Requirements to be fulfilled by Listed Entity for Listing of Equity Shares;
-Application by a listed entity for Listing of warrants offered along with Non-Convertible Debentures (NCDs);
-Requirements to be fulfilled by Stock Exchange(s;
-Processing of the Scheme by SEBI,etc.

For more details visit:
https://www.sebi.gov.in/legal/master-circulars/nov-2021/master-circular-on-scheme-of-arrangement_54132.html

5. SEBI has issued a circular to clarify the issue pertaining to the Schemes of Arrangement by Listed Entities w.r.t. timing of submission of NOC from the lending scheduled commercial banks / financial institutions / debenture trustee (Circular No.: SEBI/HO/CFD/SSEP/CIR/P/2022/003 dated January 03, 2022)

In respect of the NOC as required in terms of Circular dated November 16, 2021 and November 18, 2021, it is now clarified that the NOC shall be submitted before the receipt of the No-objection letter from the Stock Exchange in terms of Regulation 37(1) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The recognized stock exchanges are directed to bring the provisions of this circular to the notice of the listed companies and also to disseminate the same on their website.

Brief Analysis:

SEBI has provided clarification on the timeline of submission of no objection certificate (NOC) from banks and financial institutions in respect of draft schemes pertaining to mergers and demergers filed by listed companies with the stock exchanges. As per regulations, listed entities desirous of undertaking a scheme of arrangement are required to submit certain documents to the stock exchanges.

Listed entities are required to submit the NOC from the lending scheduled commercial banks/ financial institutions/ debenture trustees (DTs). It is clarified by SEBI that NOC from commercial banks/ financial institutions/ DTs shall be submitted before the receipt of the no objection letter from the stock exchange.

For more details visit:
https://www.sebi.gov.in/legal/circulars/jan-2022/schemes-of-arrangement-by-listed-entities-clarification-w-r-t-timing-of-submission-of-noc-from-the-lending-scheduled-commercial-banks-financial-institutions-debenture-trustee_55166.html

6. Disclosure obligations of high value debt listed entities in relation to Related Party Transactions (Circular No.: SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/0000000006 dated January 07, 2022)

i. Vide notification dated September 07, 2021, Regulation 15(1A) of the SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 ('LODR Regulations') was introduced stipulating that Regulations 15 to 27 of Listing Regulations shall be applicable to high value debt listed entities on a 'comply or explain' basis.

ii. Subsequently, vide amendment dated November 09, 2021, Regulation 23 of the LODR Regulations on Related Party Transactions was amended, inter-alia, mandating listed entities that have listed specified securities to submit to the stock exchanges disclosure of Related Party Transactions (RPTs) in the format specified by the Board from time to time.

iii. SEBI vide circular no. SEBI/HO/CFD/CMD1/CIR/P/2021/662 dated November 22, 2021 has specified following disclosure obligations of listed entities in relation to Related Party Transactions with respect to specified securities:
   a. Information to be reviewed by the Audit Committee for approval of RPTs;
   b. Information to be provided to shareholders for consideration of RPTs and
   c. Format for reporting of RPTs to the Stock Exchange

iv. Since the provisions of Regulation 23 of the LODR Regulations would be applicable to high value debt listed companies also, it has been decided to make provisions of the above referred circular dated November 22, 2021 applicable to high value debt listed entities.

v. This Circular shall come into force with immediate effect. Stock Exchanges were advised to bring the provisions of this circular to the notice of all listed entities that have issued specified securities and also disseminate on their websites.

For more details visit:
https://www.sebi.gov.in/legal/circulars/jan-2022/disclosure-obligations-of-high-value-debt-listed-entities-in-relation-to-related-party-transactions_55225.html

7. The SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 (Notification No.: SEBI/LAD-NRO/GN/2022/63 January 14, 2022)

The SEBI vide its notification dated January 14, 2022, has amended the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which has come into force on the date of their publication in the Official Gazette. The amendments inter-alia provide that:

- The issuer shall place a copy of the certificate of a Practicing Company Secretary before the general meeting of the shareholders considering the proposed preferential issue, certifying that the issue is being made in accordance with the requirements of the SEBI (ICDR) Regulations, 2018.
- An issuer making an initial public offer shall ensure that the amount for general corporate purposes and such objects where the issuer company has not identified acquisition or investment target, as mentioned in objects of the issue in the draft offer document and the offer document, shall not exceed 35% of the amount being raised by the issuer.
- Regulation (8A) is inserted prescribing the additional conditions for an offer for sale for issues where draft offer document is filed under Regulation 6(2) of the SEBI ICDR Regulations:
  -Existing shareholders with more than 20% of the pre-issue shareholding cannot offer more than 50% of their pre-issue shareholding in an initial public offer ('IPO').
  -Further, those holding less than 20% of pre-issue shareholding cannot offer more than 10% of the share capital of the issuer.
- Credit Rating Agency (CRAs) registered with SEBI, shall henceforth be permitted to act as Monitoring Agency instead of Scheduled Commercial Banks (SCBs) and Public Financial Institutions (PFI). Such a monitoring shall continue till 100% instead of 95% utilization of issue proceeds as present.
- The cap of the price band must be at least 105% of the floor price, for all issues opening on or after January 14, 2022.
- All issues opening on or from April 01, 2022, there must be lock-in for anchor investors for a period of 90 days from the date of allotment for 50% of the shares allocated to the anchor investors. For the remaining 50% it must continue to be 30 days from the date of allotment.
- Lock-in Provisions for Preferential Issue:

For Promoters or Promoter Group:	**For Persons other than Promoters or Promoter Group:**
The lock-in requirement for allotment of up to 20% of the post issue paid-up capital is reduced to 18 months.	The lock-in requirement for allotments are reduced to six months.
The lock-in requirement for allotment exceeding 20% of the post issue paid-up capital is reduced to six months.	

For more details visit:
https://egazette.nic.in/WriteReadData/2022/232654.pdf

8. Empowering Investors through Investor Charters (PR No. 2/2022 dated January 17, 2022)

To protect investors' interests, promote transparency in markets and enhance awareness, trust and confidence among the investors, SEBI, vide a Public Notice dated November 17, 2021, had published the "Investor Charter" for Securities Markets. Since then, various steps have been taken to implement the Charter. As for SEBI's own charter, efforts have been taken to enhance the effectiveness of investor grievance redressal mechanism. SEBI has been publishing the status of disposal of investor grievances received in SCORES (SEBI Complaints Redress System) on its website on a monthly basis. Details of investor grievances, which are pending for more than three months with different intermediaries, are also being published. In case SEBI receives a large number of repeated complaints on any issue, the root causes are analysed and if required, appropriate policy changes are made to address the issue.

SEBI is also examining the possibility of introducing alternate dispute resolution mechanism in various agreements (wherever possible) between the regulated entities and their clients. This is with a view to providing efficacious mechanism for resolving disputes between the investors and the regulated entities.

For more details visit:
https://www.sebi.gov.in/media/press-releases/jan-2022/empowering-investors-through-investor-charters_55353.html

9. **The SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2022 (Notification No. : SEBI/LAD-NRO/GN/2022/66 dated January 24, 2022)**

SEBI vide its notification dated January 24, 2022, has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette. The amendment inter alia provides that:

- The appointment or a re-appointment of a person, including as a managing director or a whole-time director or a manager, who was earlier rejected by the shareholders at a general meeting, shall be done only with the prior approval of the shareholders. As per Regulation 17(1C).
- Issuance of duplicates or new certificates in cases of loss or old decrepit or worn out certificates in dematerialised form. This will improve ease, convenience and safety of transactions for investors. As per Regulation 39(2).
- The requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialised form with a depository. Further, transmission or transposition of securities held in physical or dematerialised form shall be effected only in dematerialised form. As per Proviso to 40(1).

For more details visit:
https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-amendment-regulations-2022_55526.html

10. Change in control of the Asset Management Company involving scheme of arrangement under the Companies Act, 2013 (Circular No.: SEBI/HO/IMD/IMD-I DOF5/P/CIR/2022/10 dated January 31, 2022)

To streamline the process of providing approval to the proposed change in control of an asset management company ("AMC") involving scheme of arrangement which needs sanction of National Company Law Tribunal.

("NCLT") in terms of the provisions of the Companies Act, 2013, SEBI vide this circular has provided that the application seeking approval for the proposed change in control of the AMC under Regulation 22(e) of Mutual Fund Regulations shall be filed with SEBI prior to filing the application with the NCLT. Upon being satisfied with compliance of the applicable regulatory requirements, an in-principle approval will be granted by SEBI. The validity of such in-principle approval shall be 3 months from the date of issuance, within which the relevant application shall be made to NCLT. Within 15 days from the date of order of NCLT, applicant shall submit the application for the final approval along with copy of the NCLT Order approving the scheme, to SEBI for final approval. The provisions of this Circular shall be applicable to all the applications for change in control of AMC for which the schemes of arrangement are filed with NCLT on or after March 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/jan-2022/change-in-control-of-the-asset-management-company-involving-scheme-of-arrangement-under-companies-act-2013_55745.html

11. Notification under section 67 of the LLP Act, 2008 (Notification dated G.S.R-€ dated February 11, 2022)

The Central Government directed that, from the date of publication of this notification in the Official Gazette, the provisions of section 90, 164, 165, 167, 206(5), 207(3), 252 and section 439 of the Companies Act, 2013, shall apply to limited liability partnership, except where the context otherwise requires, with the modifications as specified.

Brief Analysis:

The primary objective of applicability of these sections is to improve the compliance of the LLPs and to improve and regulate the LLPs.

- Provisions of section 90 (subsection 1 to 11) of the Companies Act, 2013 pertaining to register of significant beneficial owners shall be applicable on the LLPs. The intension of this section is to identify a natural person that is controlling and exercising the beneficial interests of the company/LLP.
- Provisions of section 164 (subsection 1 & 2) of the Companies Act, 2013 pertaining to disqualification for appointment of director shall be applicable to LLPs.
- Provisions of section 165 (except sub-section 2) of the Companies Act, 2013 pertaining to number of directorships shall be applicable on the LLPs.
- Provisions of section 167 of the Companies Act, 2013 pertaining to vacation of office of director shall be applicable on the LLPs.
- Provisions of section 206 (5) of the Companies Act, 2013 pertaining to Power to Call for Information, Inspect Books and Conduct Inquiries by central government by appointing inspector shall be applicable on the LLPs.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=s3NAd1DMJP%252Bb4D3KxSkX1Q%253D%253D&type=open

12. Notification for delegation of powers under section 17 of the LLP Act 2008 to Regional Directors (MCA Notification No. S.O-(E) dated February 11, 2022)

The Central Government, vide this notification, delegated to the Regional Directors at Mumbai, Kolkata, Chennai, New Delhi, Ahmedabad, Hyderabad and Guwahati, the powers and functions vested in it under section 17 (change of name of limited liability partnership) of the Limited Liability Partnership Act, 2008, subject to the condition that the Central Government may revoke such delegation of powers or may itself exercise the powers under the said section, if in its opinion such a course of action is necessary in the public interest. This notification shall come into force with effect from 01st April, 2022.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=vWLykzVPipoKm8Nr17uPCA%253D%253D&type=open

13. Commencement notification for section 1 to 29 of the LLP (Amendment) Act, 2021 (MCA Notification No. S.O-(E) dated February 11, 2022)

The Central Government, vide this notification, appointed the 01st day of April, 2022 as the date on which the provisions of sections 1 to 29 of the Limited Liability Partnership (Amendment) Act, 2021 shall come into force.

Brief Analysis:

The LLP Amendment Act, 2021 is outcome of government's initiative 'ease of doing business', by extending a helping hand for the Start-up India community, as the amendments provide for decriminalizing certain offences, introducing the concept of small LLPs, appointment of adjudicating officers/ special courts, etc.

- Under section 2(t) new clause is inserted: small limited liability partnership" means a limited liability partnership—

(i) the contribution of which, does not exceed twenty-five lakh rupees or such higher amount, not exceeding five crore rupees, as may be prescribed; and

(ii) the turnover of which, as per the Statement of Accounts and Solvency for the immediately preceding financial year, does not exceed forty lakh rupees or such higher amount, not exceeding fifty crore rupees, as may be prescribed; or

(iii) which meets such other requirements as may be prescribed, and fulfils such terms and conditions as may be prescribed.

- The Amendment Act stipulates that the penalty payable for noncompliance of the LLP Act by a Small LLP or a Start-Up LLP or by its partner or designated partner shall be one-half of the penalty specified, subject to a maximum of rupees 1 lac for limited liability partnership and rupees fifty thousand for every partner or designated partner or any other person, as the case may be.

- According to the LLP Act, every LLP is required to have at least 2 designated partners, out of which at least 1 has to be a resident of India. The LLP Act previously defined the term resident of India as a person who has stayed in India for 182 days during the immediately preceding 1 year. Pursuant to the Amendment Act, a person who has lived

in India for not less than 120 days during the financial year is also entitled to become a designated partner of an LLP.

- The Regional Director are authorized to compound the offences that are punishable only with a fine.

For more details visit: https://www.mca.gov.in/bin/dms/getdocument?mds=vkSqd8xttaHgc57aBt3FcQ%253D%253D&type=open

14. The Limited Liability Partnership (Amendment) Rules, 2022 (MCA Notification No. G.S.R. 109(E) dated February 11, 2022)

Central Government notified the Limited Liability Partnership (Amendment) Rules, 2022, which will come into effect from April 01, 2022. The rules inter-alia contains provisions pertaining to following:

S.No.	**Particulars**	**Changed provisions**	**Remarks**
1.	Rule 5: Fees	In Sub-rule 2 omitted/ substituted: (i) the first and second provisos shall be omitted; (ii) in the third proviso, for the words "Provided also" the word "Provided" shall be substituted; Sub-rule Inserted: (3) The National Company Law Appellate Tribunal Rules, 2016 mutatis mutandis shall be applicable for filing an appeal under sub-sections (2) and (3) of section 72.	This amendment is made to remove the modes of payment from the provisions of the LLP which are used to make payments.
2.	Rule 18:Name of LLP	Substituted clause (xi): the proposed name is identical with or too nearly resembles the name of any other limited liability partnership or a company;	The proposed name of LLP which is identical and too nearly resembles with the name of a firm and company incorporated outside India and reserved by such firm are not recognized.
3.	Rule 19: application for change of name of LLP with similar name	Substituted sub-rule: (1) A limited liability partnership or a company or a proprietor of a registered trade mark under the Trade Marks Act, 1999 which already has a name or trade mark which is similar to or which too nearly resembles the name or new name of a limited liability partnership incorporated subsequently, may apply to the Regional Director in Form 23 to give a direction to that limited liability partnership incorporated subsequently to change its name or new name, as the case may be: Provided that an application of the proprietor of the registered trade mark shall	Opportunity for LLP/company/proprietor of registered trade mark which already has name and that is similar or nearly resembles to the name of new/subsequently incorporated LLP, to apply with RD for giving it direction to change name of new/subsequently incorporated LLP.

		be maintainable within a period of three years from the date of incorporation or registration or change of name of limited liability partnership under the Act.	
4.	New rule 19A: Allotment of new name to existing LLP	Inserted Rule 19A: (1) In case a LLP fails to change its name or new name in accordance with directions of Regional Director within a period of 3 months, then the year passing of such direction, the serial number and the existing LLPIN shall become the new name and the Registrar shall make an entry of such new name in the register of LLP and issue a fresh certificate of incorporation in form 16A. (2) The LLP whose name is changed u/s 17(3) shall in addition to compliance with section 21, mention "Order of Regional Director Not Complied" words in bracket below the name of LLP on its invoices, official correspondence, and publications.	The LLP fails to adhere to the directions issued by regional director pursuant to change in name of LLP, it shall be granted new name as serial number and the existing LLPIN by Registrar and issuance of new COI Form No. 16A. The LLP is also required to mention in statement "Order of Regional Director Not Complied" words in bracket below the name of LLP on its invoices, official correspondence, and publications.
5.	New Rule 37A : Adjudication of penalties	Inserted New rule 37A: Central Government may appoint adjudicating officers (AO) for adjudicating penalty under the provisions of LLP Act. Before adjudging penalty the AO shall give written notice (15 to 30 days) by mentioning nature of non-compliance and penalty details, to LLP/Partner/designated partner/any other person who has non-complied with the provisions to show cause why the action should not be initiated against it/him. Reply of notice shall be made in electronic mode within the specified time. Further 15 days can be granted by AO on satisfaction of the grounds of delay. Physical attendance may be solicited by AO by giving 10 days' notice. On the date of hearing and after giving reasonable opportunity of being heard, AO may pass written order Every order shall be duly signed and dated by AO along with reasons of requiring physical presence. The AO shall forward the order to LLP, partner/designated of LLP, RD and upload on website. AO has power to summon and enforce attendance; order for evidence or produce any evidence. If any person fails to reply/neglects/refuses	Adjudication of penalties under LLP Act. AO to be appointed not below the rank of registrar.

		to appear before AO, then AO may pass order to impose penalty. Penalty shall be paid on through MCA portal only. All sums realized by way of penalties under the Act shall be credited to the Consolidated Fund of India.	
6.	New rule 37B: Appeal against order of adjudicating officer	Inserted rule 37B: Appeal against the order of AO shall be filed before jurisdictional RD within 60 days from the date of receiving order to aggrieved party, in Form No 33 LLP- ADJ along with grounds of appeal and certified copy of order. Further 30 days can be granted by RD on satisfaction of the grounds of delay. An appeal in Form No 33 - LLP ADJ shall not seek reliefs therein against more than one order unless the reliefs prayed for are consequential. Every appeal filed under this rule shall be accompanied by a fee of one thousand rupees for Small LLPs and two thousand and five hundred rupees for other than Small LLPs	Appeal against order of AO to be filed with RD
7.	New Rule 37C: Registration of appeal	Inserted rule 37C: On receipt of appeal jurisdictional RD shall sign & endorse the appeal. On security of appeal, if the appeal is found in order, then appeal shall be registered by allotting serial number. If the RD found appeal defective then it shall give 14 days' time to applicant for making the defect good, and if the applicant fails to rectify the defect in specified time then RD may refuse the appeal and communicate to applicant within 7 days. Further 14 days can be granted by RD for rectification of defects on satisfaction of the grounds of delay	Registration of appeal by RD on satisfaction of grounds
8.	New rule 37D: Disposal of appeal by Regional Director	Inserted rule 37D: On admission of appeal by RD, it shall serve a copy of appeal to AO along with notice seeking its reply on the ground of appeal, within 21 days. Further 21 days can be granted by RD to AO on showing sufficient cause for not being able to file his reply to the appeal within specified time. A copy of every reply, application or written representation filed by the AO before the RD shall be forthwith served on the appellant by the AO. RD shall notify the parties about date of hearing, which shall after 30 days of notification. On fixed date of hearing the RD may pass a written order.	Disposal of appeal by Regional Director

		A certified copy of order shall be communicated to AO, appellant and central government.	

For more details visit:
https://egazette.nic.in/WriteReadData/2022/233375.pdf

15. The Limited Liability Partnership (Second Amendment) Rules, 2022 (MCA Notification No. G.S. R. (E) dated March 04, 2022)

The Ministry of Corporate Affairs (MCA) vide its Notification dated 04th March, 2022 has notified Limited Liability Partnership (Second Amendment) Rules, 2022 which shall come into force on the date of its publication in the Official Gazette. The amendments inter alia provides that-

- If an individual required to be appointed as designated partner does not have a DPIN or DIN, application for allotment of DPIN shall be made in Form FiLLiP. Provided further that the application for allotment of DPIN shall not be made by more than five individuals in Form FiLLiP. **[Substitution: Rule 11(1) Second proviso]**

- The Certificate of Incorporation of limited liability partnership shall be issued by the Registrar in Form 16 and shall mention Permanent Account Number and Tax Deduction Account Number issued by the Income Tax Department**. [Insertion: Rule 11(3)]**

- Statement of Account and Solvency shall be signed on behalf of the limited liability partnership by its designated partners. In cases where Corporate Insolvency Resolution Process has been initiated against an LLP then the Statement of Account and Solvency may be signed by interim resolution professional or resolution professional, or liquidator or limited liability partnership administrator**. [Substitution: Rule 24(6)]**

- Where the Registrar finds it necessary to call further information, he shall directs the person or LLP to furnish such information or to re-submit such application or e- Form or document in Form 32. **[Insertion: Rule 36(6)]**

- Vide this notification, various forms substituted such as :
  - RUN LLP-Reserve Unique Name-LLP
  - FiLLiP-Form for incorporation of LLP
  - Form 3-Information with regard to LLP agreement and changes, if any, made therein
  - Form 4-Notice for appointment, cessation, change in name/address/ designation of designated partner and consent to become partner
  - Form 5-Notice for change of Name
  - Form 8-Statement of account & solvency and charge filing
  - Form 9-Consent by designated partners
  - Form 11-Annual Return of LLP
  - Form 12-Form for intimating other address for service of documents
  - Form 15-Notice for change of place of registered office
  - Form 16-Certificate of Incorporation
  - Form 17-Application and statement for the conversion of a firm into LLP

- Form 18-Application and statement for conversion of private company/unlisted public company into LLP
- Form 22-Notice of intimation of order of court
- Form 23-Application for direction to LLP to change its name
- Form 24 -Application to ROC for striking off name
- 25 -Application for reservation/ renewal of name of name of foreign LLP/Foreign company Form 27 - Form for registration of particulars of FLLP
- Form 31 - Application for compounding of offence Form 32 - Form for filing addendum for rectification of defects or incompleteness.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=iorXjBHYBr94XltGw2NNBA%253D%253D&type=open

16. Change in UPI limits - Revision to Operational Circular for issue and listing of Non - Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper (SEBI Circular No.: SEBI/HO/DDHS/P/CIR/2022/0028 dated March 08, 2022)

SEBI vide its circular dated August 10, 2021, provided the procedures pertaining to issue and listing of Non - convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper. The said Circular, inter -alia, provides an option to investors to apply in public issues of debt securities with the facility to block funds through Unified Payments Interface (UPI) mechanism for application value upto Rs. 2 lakh. In order to bring about uniformity in the requirements and for ease of investment for investors, it has been decided to increase the limit for investment through UPI mechanism to Rs. 5 lakh. The provisions of this circular shall be applicable to public issues of debt securities which open on or after May 1, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/mar-2022/change-in-upi-limits-revision-to-operational-circular-for-issue-and-listing-of-non-convertible-securities-securitised-debt-instruments-security-receipts-municipal-debt-securities-and-commercial-p-_56665.html

17. The SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2022 (SEBI Notification No.: No. SEBI/ LAD-NRO/GN/2022/76 dated March 22, 2022)

SEBI vide its notification dated March 22, 2022, has amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette. SEBI vide this notification has omitted the regulation 17(1B) related to separation of role of Chairperson and MD/CEO. It is provided that this provision may not be retained as a mandatory requirement and instead be made applicable to the listed entities on a voluntary basis.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/234379.pdf

18. The Companies (Accounts) Second Amendment Rules, 2022 (MCA Notification No. : G.S.R (E) dated March 31, 2022)

MCA has notified the Companies (Accounts) Second Amendment Rules, 2022 which came into force on the date of their publication in the Official Gazette. Vide this notification, the date of applicability for the requirement relating to feature of recording audit trail in the Accounting Software has been extended from 01st April 2022 to 01st April, 2023. Further, MCA has extended the timeline for filing of Form CSR-2 for FY 2020-21 from 31st March, 2022 to 31st May, 2022.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=3kjEo3H12bPQqpt2k18OTw%253D%253D&type=open

19. Revision of UPI limits in Public Issue of Equity Shares and convertibles (SEBI Circular No.: SEBI/HO/CFD/DIL2/CIR/P/2022/45 dated Aril 05, 2022)

SEBI vide this circular has provided that all Individual Investors applying in Public Issues where the application amount is upto Rs. 5 Lakhs shall use Unified Payment Interface (UPI) and shall also provide their UPI ID in the bid-cum application form submitted with a syndicate member, stock broker, depository participant ('DP') and registrar to an issue and share transfer agent. The provisions of this circular shall come into force for Public Issues opening on or after May 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/apr-2022/revision-of-upi-limits-in-public-issue-of-equity-shares-and-convertibles_57589.html

20. The Companies (Management and Administration) Amendment Rules, 2022 (MCA Notification No. G.S.R. 279(E) dated April 06, 2022)

The Central Government notified the Companies (Management and Administration) Amendment Rules, 2022, the said amendment rules inter-alia consist provisions pertaining to inspection of registers and returns as mentioned under rule 14 of the Companies (Management and Administration) Rules, 2014 by inserting sub rule 3; "Notwithstanding anything contained in sub-rules (1) and (2), the following particulars of the register or index or return in respect of the members of a company shall not be made available for any inspection under sub-section (2) or for taking extracts or copies under sub-section (3) of section 94, namely-address or registered address (in case of a body corporate); e-mail ID; Unique Identification Number; PAN Number."

Brief Analysis:

Through this amendment, MCA has inserted a new Rule 14(3) to restrict the inspection of register or index or return in respect of the members of a Company. According to the Amendment, particulars of the register or index or return in respect of the members of a Company related to Address or Registered Address (in case of a body corporate); e-mail ID; Unique Identification Number; PAN Number, shall not be made available for any inspection under sub-section (2) or for taking extracts or copies under subsection (3) of Section 94 of the Companies Act.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/234911.pdf

21. The Companies (Appointment and Qualification of Directors) Amendment Rules, 2022 (MCA notification no.; G.S.R. 410(E) dated 1st June, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated June 01, 2022 has notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2022 which shall come into force on the date of its publication in the Official Gazette. The amendments inter-alia provide that:

i) In case the person seeking appointment is a national of a country which shares land border with India, necessary security clearance from the Ministry of Home Affairs shall also be attached along with the consent (Form DIR-2).(Insertion of proviso to Rule 8)

ii) No application number shall be generated in case of the person applying for Director Identification Number (DIN) is a national of a country which shares land border with India, unless necessary security clearance from Ministry of Home Affairs has been attached along with application for DIN (Form DIR-3).{Insertion of proviso to Rule 10(1)}

iii) In form DIR-12 a declaration is inserted to be opted by person seeking appointment as director as to whether the national of a country which shares land border with India has sought necessary security clearance from Ministry of Home Affairs or not.

Brief Analysis:

Through this amendment, MCA has introduced changes in its various forms relating to appointment of directors by aligning the forms with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. As per the changes made, if the person seeking appointment is a national of a country which shares land border with India, necessary security clearance from the Ministry of Home Affairs shall also be attached along with the consent. Similarly, no application number shall be generated in case of the person applying for Director Identification Number (DIN) is a national of a country which shares land border with India, unless necessary security clearance from Ministry of Home Affairs has been attached along with application for DIN (Form DIR-3). In form DIR-12, a declaration is inserted which needs to be opted by person seeking appointment as director as to whether the national of a country which shares land border with India has sought necessary security clearance from Ministry of Home Affairs or not.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=1QPa%252Fckqk4ob6rHXFQrVew%253D%253D&type=open

22. CBDT notification for PAN integration with LLP incorporation form FiLLip (Ministry of Finance notification 04/2022 dated 26th July, 2022)

The Central Board of Direct Taxes vide its notification dated July 26, 2022 has notified the procedure of PAN application and allotment through Simplified Proforma for incorporating Limited Liability Partnerships (LLPs) electronically (Form: FiLLiP) of the Ministry of Corporate Affairs. In exercise of the powers delegated by the Central Board of Direct Taxes vide notification G.S.R dated 09.02.2017, the Director General of Income-tax (Systems) laid down applicable form, format and procedure for Permanent Account Number (PAN) application filing by LLPs.

Brief Analysis:

The Ministry of Finance has issued notification dated 26th July, 2022 stating that application for PAN for LLP will now be filed in Simplified Proforma for incorporating Limited Liability Partnerships (LLPs) electronically (Form: FiLLiP) form using DSC of applicant and after generation of LLPIN, MCA will forward the data in form 49A to Income tax authority.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=kvBTyn49lNlMUOv%252B38VTDg%253D%253D&type=open

23. The Companies (Acceptance of Deposits) Amendment Rules, 2022
(MCA Notification no. G.S.R (E) dated August 24, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated August 29, 2022 has notified "the Companies (Acceptance of Deposits) Amendment Rules, 2022" which has come into force on the date of its publication in the Official Gazette. According to the amendment in rule 16 of the Companies (Acceptance of Deposits) Rules, 2014:

"Every company to which these rules apply, shall file return of deposit in E Form DPT-3 and furnish the information contained therein as on the 31st day of March of that year duly audited by the auditor of the company and declaration to that effect shall be submitted by the auditor in E Form DPT-3."
Also, the E Form DPT-3 and E Form DPT-4 are substituted.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=99KwRbJSkMXjVLv09KTgJg%253D%253D&type=open

24. The Companies (Specification of Definition Details) Amendment Rules, 2022
(MCA Notification no. G.S.R 700(E) dated September 15, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated September 15, 2022 has notified "the Companies (Specification of Definition Details) Amendment Rules, 2022" which has come into force on the date of its publication in the Official Gazette. According to the amendment the definition of Small Company is modified as under:

"For the purposes of section 2(85)(i) and (ii) of the Companies Act, 2013, the paid up capital and turnover of the small company shall not exceed rupees four crore and rupees forty crore respectively."

Brief Analysis:

Through this notification the Ministry has amended the definition of small company w.e.f. 15.09.2022 by amending the limit of paid up capital and turnover for the small company. Earlier, definition of "small companies" under the Companies Act, 2013 was revised by increasing their thresholds for paid up capital from "not exceeding Rs 50 lakh" to "not exceeding Rs 2 crore" and turnover from "not exceeding Rs 2 crore" to "not exceeding Rs 20 crore". This definition has, now,

been further revised by increasing such thresholds for paid up Capital from "not exceeding Rs. 2 crore" to "not exceeding Rs. 4 crore" and turnover from "not exceeding Rs. 20 crore" to "not exceeding Rs. 40 crore".

It seems that MCA frequently amending the definition of Small Company to provide many advantages to Corporates. This move of MCA is expected to provide lenience for the compliance burden of about various small companies in India. The move is likely to get more companies under the 'small' category and advantage them in terms of the compliance requirements. As due to this move, many Companies will get exemptions of so many compliances of Companies Act, 2013.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=tiMs9IFJ8xuPm%252B%252Foxc6fUw%253D%253D&type=open

Lesson 3- Documentation and Maintenance of Records

1. Case law

14.07.2020	Arjun Panditrao Khotkar vs. Kailash Kushanrao Gorantayal and Ors	Supreme Court of India

The premise that Certificate under section 65-B(4) of the Evidence Act cannot be secured by persons who are not in possession of an electronic device is wholly incorrect. An application can always be made to a Judge for production of such a certificate.

Facts: These Civil Appeals were referred to a Bench of Judges of Supreme Court by a Division Bench, dealing with the interpretation of Section 65B of the Indian Evidence Act, 1872 by two judgments. It was found by the court that a Division Bench judgment in Shafhi Mohammad v. State of Himachal Pradesh (2018) 2 SCC 801 may need reconsideration by a Supreme Court Bench of a larger strength. In the case of Shafhi Mohammad (supra). it was observed by Supreme Court that it can be safely held that electronic evidence is admissible and provisions under Sections 65-A and 65-B of the Evidence Act are by way of a clarification and are procedural provisions. If the electronic evidence is authentic and relevant the same can certainly be admitted subject to the Court being satisfied about its authenticity and procedure for its admissibility may depend on fact situation such as whether the person producing such evidence is in a position to furnish certificate under Section 65-B(4).

Decision: The supreme court observed that the major premise of Shafhi Mohammad (supra) that the certificate under section 65- B(4) cannot be secured by persons who are not in possession of an electronic device is incorrect. An application can always be made to a Judge for production of such a certificate from the requisite person under Section 65B(4) in cases in which such person refuses to give it.

Reference:
https://main.sci.gov.in/supremecourt/2017/39058/39058_2017_34_1501_22897_Judgement_14-Jul-2020.pdf

2. MAINTENANCE AND INSPECTION OF DOCUMENTS IN ELECTRONIC FORM UNDER COMPANIES ACT, 2013

Section 120 of the Companies Act, 2013 read with Rule 27 & 28 of Companies (Management and Administration) Rule, 2014 provides for maintenance of documents in electronic form. The provisions also provide for inspection of documents maintained in electronic form. It states that any document, record, register, minutes, etc. that are required to be kept by a company or allowed to be inspected or copies to be given to any person by a company under the Act, may be kept or inspected or copies given, as the case may be, in electronic form. Rule 27 provides that every listed company or a company having not less than one thousand shareholders, debenture holders and other security holders, may maintain its records in electronic form.

Section 2(36) of the said Act relates to the definition of "document" which includes summons, notice, requisition, order, declaration, form and register, whether issued, sent or kept in

pursuance of Companies Act or under any other law for the time being in force or otherwise, maintained on paper or in electronic form.

The term "records" means any register, index, agreement, memorandum, minutes or any other document required by the Act or the Rules made thereunder to be kept by a company. Therefore, such documents and records can also be maintained in electronic form.

However, the records in electronic form shall be maintained in such manner as the Board of directors of the company may think fit, Provided that –

(a) the records are maintained in the same formats and in accordance with all other requirements as provided in the Act or the rules made there under;
(b) the information as required under the provisions of the Act or the rules made there under should be adequately recorded for future reference;
(c) the records must be capable of being readable, retrievable and reproducible in printed form;
(d) the records are capable of being dated and signed digitally wherever it is required under the provisions of the Act or the rules made there under;
(e) the records, once dated and signed digitally, shall not be capable of being edited or altered;
(f) the records shall be capable of being updated, according to the provisions of the Act or the rules made there under, and the date of updating shall be capable of being recorded on every updating.

Security of Records Maintained in Electronic Form- Rule 28 of Companies (Management and Administration) Rules, 2014

(1) The Managing Director, Company Secretary or any other director or officer of the company as the Board may decide shall be responsible for the maintenance and security of electronic records.
(2) The person who is responsible for the maintenance and security of electronic records shall-
(a) provide adequate protection against unauthorized access, alteration or tampering of records;
(b) ensure against loss of the records as a result of damage to, or failure of the media on which the records are maintained;
(c) ensure that the signatory of electronic records does not repudiate the signed record as not genuine;
(d) ensure that computer systems, software and hardware are adequately secured and validated to ensure their accuracy, reliability and consistent intended performance;
(e) ensure that the computer systems can discern invalid and altered records;
(f) ensure that records are accurate, accessible, and capable of being reproduced for reference later;
(g) ensure that the records are at all times capable of being retrieved to a readable and printable form;
(h) ensure that records are kept in a non-rewriteable and non-erasable format like pdf. version or some other version which cannot be altered or tampered;
(i) ensure that at least one backup, taken at a periodicity of not exceeding one day, are kept of the updated records kept in electronic form, every backup is authenticated and dated and such backups shall be securely kept at such places as may be decided by the Board;

(j) limit the access to the records to the managing director, company secretary or any other director or officer or persons performing work of the company as may be authorized by the Board in this behalf;
(k) ensure that any reproduction of non-electronic original records in electronic form is complete, authentic, true and legible when retrieved;
(l) arrange and index the records in a way that permits easy location, access and retrieval of any particular record; and
(m) take necessary steps to ensure security, integrity and confidentiality of records.

Lesson 4- Search and Status Report

1. SEBI Circular on Mutual Funds

As per SEBI Mutual Funds Regulations, trustees and asset management companies (AMC) shall ensure that the assets and liabilities of each scheme are segregated and ring-fenced from other schemes of the mutual fund and bank accounts and securities accounts of each scheme are segregated and ring-fenced. However, based on the recommendations of Mutual Funds Advisory Committee (MFAC), it has been decided that Mutual Funds may use pool accounts, only for such transactions which are executed at mutual fund level owing to certain operational and regulatory requirements. However, such use of pool accounts is subject to certain conditions.

Further, SEBI has extended the date of implementation of its circular dated September 27, 2021 and October 27, 2021 on "Risk Management Framework (RMF) for Mutual Funds" and on "two-tiered structure for benchmarking of certain categories of Mutual Fund Schemes" respectively, to April 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/circular-on-mutual-funds_54542.html

2. Framework for conversion of Private Listed InvIT into Public InvIT (SEBI Circular No.: SEBI/HO/DDHS/DDHS_Div3/P/CIR/2022/15 dated February 09, 2022)

SEBI, vide this circular, has provided the manner in which a Private Listed InvIT may convert into a Public InvIT on making a public issue of units through a fresh issue and/or an offer for sale in terms of the SEBI (Infrastructure Investment Trusts) Regulations. Post issuance and listing of such units through public issue in accordance with this circular, the Private Listed InvIT shall stand transformed and shall be considered a Public InvIT and it shall be required to comply with all provisions of the InvIT Regulations prescribed for Public InvITs.

For more details visit:
https://www.sebi.gov.in/legal/circulars/feb-2022/framework-for-conversion-of-private-listed-invit-into-public-invit_55971.html

3. The Companies (Registration of Charges) Second Amendment Rules, 2022 (MCA Notification No. G.S.R. (E) dated August 29, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated August 29, 2022 has notified "the Companies (Registration of Charges) Second Amendment Rules, 2022" which shall come into force on the date of its publication in the Official Gazette. According to the amendment rule 13 is inserted by stating that, signing of charge e-forms (i.e. Form No. CHG-1, CHG-4, CHG-8 and CHG-9) by insolvency professional or resolution professional or liquidator for companies under resolution or liquidation, as the case may be and filed with the Registrar. Further, the E Form No. CHG-1 is substituted.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=4o6aHVQPVnWMaUqWvlFEow%253D%253D&type=open

Lesson 5- Know Your Customer (KYC)

1. KYC of Companies

Requirement of Filling e-form ACTIVE	Rule 25A of the Companies (Incorporation) Rules, 2014 provides that every company incorporated on or before the 31st December, 2017 shall file the particulars of the company and its registered office, in e-Form ACTIVE (Active Company Tagging Identities and Verification) on or before 15th June, 2019.
Exclusions by reason of non-compliance	The company which has not filed its due financial statements under Section 137 or due annual returns under Section 92 or both with the Registrar are restricted from filing e-Form-ACTIVE, unless such company is under management dispute and the Registrar has recorded the same on the register.
ACTIVE-non- compliant by reason of non-compliance	In case a company does not intimate the said particulars, such Companies are marked as "ACTIVE-non- compliant" on or after 16th June, 2019 and shall be liable for action under sub-section (9) of section 12 of the Companies Act, 2013.
Disadvantages for ACTIVE-non- compliant companies	Provided also that no request for recording the following event based information or changes shall be accepted by the Registrar from such companies marked as "ACTIVE-non-compliant", unless " e-Form ACTIVE" is filed- (i) SH-07 (Change in Authorized Capital); (ii) PAS-03 (Change in Paid-up Capital); (iii) DIR-12 (changes in Director except in case of : (a) cessation of any director or; (b) appointment of directors in such company where the total number of directors are less than the minimum number provided in clause (a) of sub-section (1) of section 149 on account of disqualification of all or any of the director under section 164; (c) appointment of any director in such company where DINs of all or any its director(s) have been deactivated; (d) appointment of director(s) for implementation of the order passed by the Court or Tribunal or Appellate Tribunal under the provisions of this Act or under the Insolvency and Bankruptcy Code, 2016). (iv) INC-22 (Change in Registered Office); (v) INC-28 (Amalgamation, de-merger).
Restoration of Status	Where a company files "e-Form ACTIVE", on or after 16th June, 2019, the company shall be marked as "ACTIVE Compliant", on payment of fee of ten thousand rupees".

Question: Who can file KYC through DIR-3 KYC web-service?

Any DIN holder who has already submitted eForm DIR-3 KYC in any of the previous financial years and who does not require update in any of his KYC details as submitted, may perform his annual KYC by accessing DIR-3 KYC web service. No fee is payable up to the due date of each financial year. After the due date, a fee of Rs.5000 shall be payable.

Applicability if DIR - 3 KYC	• DIR-3 KYC is required to be filed by every Director who holds DIN on or before 31st March, of a Financial Year and whose DIN status is 'Approved'.
Due Date	• Due date of filing of DIR-3KYC is on or before 30th September of immediate next financial year.
Prerequisites	• Prerequisite Mandatory Information DIR-3 : (1) Unique Personal Mobile Number(2) Personal Email ID (3) Email ID and Mobile Number for receiving OTP
Certifications	• Certification of DIR-3 KYC (1) First by the affixing Registered Digital Signature of respective person / Director (2) Certification by practicing professional by affixing Digital Signature (CS/CA/CMA)
Applicability of disqualified Directors	• Filing of DIR-3 KYC would be mandatory for Disqualified Directors as well.
Deactivation	• If director fails to file DIR-3 KYC the MCA21 system will mark all approved DINs against which DIR-3 KYC form has not been filed as 'Deactivated' with reason as 'Non-filing of DIR-3 KYC'
Fees	• MCA has notified 'Nil Fee' and 'late Fee' of Rs. 5,000 (Applicable after the due date) for Filing e-Form DIR-3 KYC under rule 12A of the Companies (Appointment and Qualification of Directors) Rules, 2014.
Form of restoration	• MCA has also notified format of e-form DIR-3 KYC under new Rule 12A (Directors KYC) along with procedure for restoration of deactivated DINs of Directors, applicable.

2. Changes in KYC regime

RBI issued Master Direction on KYC dated February 25, 2016. Government of India, vide Gazette Notification G.S.R. 582(E) dated August 19, 2019 and Gazette Notification G.S.R. 840(E) dated November 13, 2019, notified amendment to the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. Further, with a view to leveraging the digital channels for Customer Identification Process (CIP) by Regulated Entities (REs), the Reserve Bank decided to permit Video based Customer Identification Process (V-CIP) as a consent based alternate method of establishing the customer's identity, for customer on boarding.

The changes are as under:

A. Changes due to amendments to the PML Rules

(a) "Digital KYC" is defined in Section 3 as capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be

carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Reporting Entity (RE) as per the provisions contained in the Act. Steps to carry out the Digital KYC process have also been stipulated.
(b) "Equivalent e-document" has been defined in Section 3 as an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per Rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
(c) Section 16 is amended and accordingly,

I. Customer, for the purpose of Customer Due Diligence CDD) process, shall submit:
(i) the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or he decides to submit his Aadhaar number voluntarily to a banking company or any reporting entity notified under first proviso to sub-section (1) of section 11A of the PML Act; or
(ii) the proof of possession of Aadhaar number where offline verification can be carried out; or
(iii) the proof of possession of Aadhaar number where offline verification cannot be carried out; or
(iv) any Officially Valid Document (OVD) or the equivalent e-document thereof containing the details of his identity and address; and
(v) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
(vi) such other documents including in respect of the nature of business and financial status of the client, or the equivalent e-documents thereof as may be required by the RE.

II Provided that where the customer has submitted-
(i) Aadhaar number under paragraph (c.I.i) above to a bank or to a RE notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or RE shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India.
(ii) proof of possession of Aadhaar under clause (c.I.ii) above where offline verification can be carried out, the RE shall carry out offline verification.
(iii) an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I of the Master Direction.
(iv) proof of possession of Aadhaar number where offline verification cannot be carried out under clause (c.I.iii) above or any OVD under clause (c.I.iv), the RE shall carry out verification through digital KYC as specified under Annex I of the Master Direction.
Provided, for a period not beyond such date as may be notified by the Government for a class of REs, instead of carrying out digital KYC, the RE pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent edocument is not submitted.

B. Changes due to introduction of Video based Customer Identification Process (V-CIP)
(a) Definition of V-CIP is inserted in Section 3 of the Master Direction
(b) The process of V-CIP is specified in Section 18 in terms of which, REs may undertake live V-CIP, to be carried out by an official of the RE, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:
(i) The official of the RE performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:
• Banks: can use either OTP based Aadhaar e-KYC authentication or Offline Verification of Aadhaar for identification. Further, services of Business Correspondents (BCs) may be used by banks for aiding the V-CIP.
• REs other than banks: can only carry out Offline Verification of Aadhaar for identification.

(ii) RE shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.

(iii) Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India.

(iv) The official of the RE shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.

(v) The official of the RE shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.

(vi) In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.

(vii) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.

(viii) RE shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RE shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations.

(ix) To ensure security, robustness and end to end encryption, the REs shall carry out software and security audit and validation of the V-CIP application before rolling it out.

(x) The audiovisual interaction shall be triggered from the domain of the RE itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials

specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.

(xi) REs shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.

(xii) REs are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the RE.

(xiii) RE shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

(xiv) BCs can facilitate the process only at the customer end and as already stated in para B(b) above, the official at the other end of V-CIP interaction should necessarily be a bank official. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

3. Rule 9 of the Prevention of Money laundering (Maintenance of Records) Rules, 2005 shall not apply to the Foreign Portfolio Investor (MoF Notification No.G.S.R. 5(E) dated Janury 04, 2022)

In exercise of the powers conferred by sub-clause (i) of clause (h) of sub-rule (2) of rule 9A of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, the Central Government in consultation with the regulatory authority, namely the Securities and Exchange Board of India, in the public interest and in the interest of the regulated entity, namely the Foreign Portfolio Investor, hereby directs that the provisions of sub-rule (1A) of rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 shall not apply to the Foreign Portfolio Investor.

Brief Analysis:

Government has given exemption to FPIs from reporting of client's KYC records with Central KYC registry under money laundering norms. Rule 9 deals with verification of the records of the identity of clients in which sub rule (1A) which states the following, shall not be applicable to the foreign portfolio investor. As per Rule 9(1A), every reporting entity is required to file within 10 days after the commencement of an account-based relationship with a client, an electronic copy of the client's KYC records with the Central KYC Records Registry.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/232403.pdf

4. The Aadhaar (Authentication and Offline Verification) (First Amendment) Regulations, 2022 (UIDAI Notification No.: No. K-11020/240/2021/Auth/UIDAI dated February 04, 2022)

The Unique Identification Authority of India has notified the Aadhaar (Authentication and Offline Verification) (First Amendment) Regulations, 2022. Regulations 16B and 16C are newly inserted regulations which inter-alia contains provisions pertaining to manner of voluntary use of Aadhaar number viz; Acceptance of Aadhaar (in form of- physical/Aadhaar Letter/printed e-Aadhaar/ Aadhaar PVC card/m-Aadhaar) as proof of Identity; Offline Verification Seeking Entity shall verify the details with digitally signed Aadhaar Secure QR code; Aadhaar number in electronic

form may be used by aadhaar holder for establishing his identity by way of offline verification and the Offline Verification Seeking Entity shall verify the digital signature; Yes/No or eKYC authentication facility for electronic Aadhaar to be provided by an authorized requesting entity.

Further, as per new regulation 16C, for acceptance for Aadhaar - Offline Verification Seeking Entity shall verify the digital signatures through Aadhaar secure QR Code and every requesting entity shall ensure informed consent of Aadhaar number holder beforehand of acceptance as proof of identity.

New definitions such as Aadhaar letter, Aadhaar Polyvinyl Chloride Card (PVC), e-Aadhaar, m-Aadhaar are introduced.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/233160.pdf

5. The Companies (Appointment and Qualification of Directors) Third Amendment Rules, 2022 (MCA Notification No. G.S.R (E) dated August 29, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated August 29, 2022 has notified "the Companies (Appointment and Qualification of Directors) Third Amendment Rules, 2022" which has come into force on the date of its publication in the Official Gazette. According to the amendment the E Form DIR-3-KYC and Form DIR-3- KYC-WEB are substituted.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=slrNNMj6rSE43YrWxXorGw%253D%253D&type=open

Lesson 6- Signing and Certification

1. Recognition to Company Secretary in Practice under the International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021 & International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021

The IFSCA has authorised the Company Secretaries to certify the net-worth certificate of IFSC insurance intermediary office (IIIO) under the International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021 and also to certify that all the requirements of the International Financial Services Centres Authority Act, 2019 read with IFSCA (Registration of Insurance Business) Registration 2021 and notifications issued under section 2CA of the Act have been complied with by the applicant.

For more details visit:
https://www.icsi.edu/media/webmodules/Recognition_PCS_under_IFSCA_Regulations_23102021.pdf

2. Recognition to Company Secretary in Practice under the International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021

The International Financial Services Centres Authority has notified the International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021 Vide Gazette Notification Dated October 18, 2021 wherein, the IFSCA has authorised the PCS to conduct annual audit of Capital Market Intermediaries and issue Net Worth Certificate to the applicant willing to register as an capital market intermediaries with the IFSCA.

For more details visit:
https://www.icsi.edu/media/webmodules/New_Recognition_PCS_conduct_annual_audit_23102021.pdf

3. Recognition to Company Secretary in Practice to provide Certificate of Compliance to RTAs

The Securities and Exchange Board of India has bestowed upon the profession of Company Secretaries a new recognition, by authorizing Company Secretary in Practice (PCS) to provide Certificate of Compliance to Registrars to an Issue and Share Transfer Agents (RTA) vide SEBI Circular dated November 03, 2021.

For more details visit:
https://www.icsi.edu/media/webmodules/Recognition_PCS_SEBI_Circular_09112021.pdf

4. Publishing Investor Charter and disclosure of Investor Complaints by Investment Advisers/ Research Analysts on their websites/mobile applications

In order to facilitate investor awareness about various activities which an investor deals with while availing the services provided by investment advisers/ research analysts, SEBI has developed an Investor Charter for Investment Advisers/ Research Analysts. All registered Investment Advisers/ Research Analysts are advised to bring to the notice of their clients the Investor Charter by prominently displaying on their websites and mobile applications. Additionally, in order to further enhance transparency in grievance redressal, the Investment Advisers/ Research Analyst shall disclose the details of investor complaints by 7th of the succeeding month in the revised format on a monthly basis on respective websites/mobile application.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-of-investor-charter-and-disclosure-of-investor-complaints-by-investment-advisers-on-their-websites-mobile-applications_54585.html
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-of-investor-charter-and-disclosure-of-investor-complaints-by-research-analysts-on-their-websites-mobile-applications_54584.html

5. Consumer Protection (Direct Selling) Rules, 2021

Ministry of Consumer Affairs, Food and Public Distribution published the Consumer Protection (Direct Selling) Rules, 2021 on December 28, 2021.

The rules inter-alia provides for Mandatory maintenance of records, Obligations of direct selling entity, Duties of direct selling entity and direct seller, Prohibition of Pyramid Scheme and money circulation scheme etc.

According to rule 5(g) of the said rules, the obligation of direct selling entity include that every direct selling entity shall get all information provided by it on its website duly certified by a Company Secretary.

For more details visit:
https://egazette.nic.in/WriteReadData/2021/232214.pdf

6. Concept of Pre-Certification and its Importance

Pre-certification means certification of correctness of any document by a professional including Company Secretary in Practice, before the same is filed with the Registrar in terms of the requirements of the Companies Act, 2013 (hereinafter referred to as "the Act"). Company Secretaries are recognized to pre-certify the e-forms which are required to be filed with the Registrar. Initially, pre-certification was introduced to avoid registration delays and eventually evolved to check correctness of documents filed by professionals.

From a Company's perspective and also from regulators standpoint, pre-certification is important to:

Ensure correctness: The professional checks the correctness of the particulars stated in the prescribed forms after due consideration of the provisions of the Act and the Rules made thereunder. He also ensures that the particulars stated in the Forms are in agreement with

the books and records of the company. If he notices any defect or finds that the information provided in the form is incomplete or defective, he appropriately advices/provides guidance for completion of document/rectification of defect and makes pre-certification only after completion of documents/ rectification of such defects.

Pre-emptive step: Pre-certification acts as a pre-emptive check to ensure that the particulars stated in the form or return are as per the books and records of the company and are true and correct. This would mean that the Registrar can rely on the certification of the Company Secretary in practice and may take the document on record without further examination. Thus, Pre-certification by a Company Secretary in practice ensures that no form or return filed with the Registrar of Companies is defective or incomplete.

Aids good governance: Disclosure of information to shareholders is a critical requirement of good governance mechanism with a view to protect the interests of the shareholders and other stakeholders and to ensure better governance. Accordingly, the Act has stipulated stringent measures and requirements for disclosure, included in financial statements, Board's report and annual return. The Act has also prescribed onerous duties and responsibilities on the Director of a company as well as the Company Secretaries. The punishment for violation of provisions of the Act has also been enhanced under the Act, to ensure the correctness of information filed by the corporates.

Self-regulation: The introduction of pre-certification by an independent professional in the e-form was aimed at self-regulations of companies and to reduce the involvement of government machinery, i.e. the Registrar of Companies. Once any form has been pre-certified by a professional based on the particulars contained in the books of accounts and records of the company, same can be taken on record without further examination.

If a professional gives a false certificate or omits any material information knowingly, he is liable to punishment under the provisions of the Act as well as liable for professional or other misconduct under Company Secretaries Act, 1980.

7. The Consumer Protection (Direct Selling) Rules, 2021 (Department of Consumer Affairs Notification No.; G.S.R. 889(E) dated December 28, 2021)

Ministry of Consumer Affairs, Food and Public Distribution published the Consumer Protection (Direct Selling) Rules, 2021 on December 28, 2021. The rules inter-alia provides for Mandatory maintenance of records, Obligations of direct selling entity, Duties of direct selling entity and direct seller, Prohibition of Pyramid Scheme and money circulation scheme etc.
According to rule 5(g) of the said rules, the obligation of direct selling entity include that every direct selling entity shall get all information provided by it on its website duly certified by a Company Secretary.

For more details visit:
https://egazette.nic.in/WriteReadData/2021/232214.pdf

8. The International Financial Services Centres Authority (Insurance Intermediary) (Amendment) Regulations, 2021 (IFSCA Notification No.: IFSCA/2021-22/GN/REG020 dated January 04, 2022)

The International Financial Services Centres Authority made amendment to International Financial Services Centres Authority (Insurance Intermediary) Regulations, 2021 which inter-alia carrying provisions pertaining to: "Certificate" from CA/CS/CMA, etc.:

Provide a certificate from a practicing Chartered Accountant in India, a practicing Company Secretary in India, a practicing Cost Accountant in India or any other person with appropriate qualification, as specified by the Authority, confirming that all applicable regulatory requirements have been complied with by the Applicant."

For more details visit:
https://egazette.nic.in/WriteReadData/2022/232425.pdf

9. International Financial Services Centers Authority (Registration of Insurance Business) (Amendment) Regulations, 2021 (IFSCA Notification No.: IFSCA/2021-22/GN/REG019 dated January 04, 2022)

The International Financial Services Centers Authority made amendment to the International Financial Services Centers Authority (Registration of Insurance Business) Regulations, 2021 which inter-alia carrying provisions pertaining to: "Certificate" from CA/CS/CMA, etc.:

Provide a certificate from a practicing Chartered Accountant in India, a practicing Company Secretary in India, a practicing Cost Accountant in India or any other person with appropriate qualification, as specified by the Authority, certifying that all the requirements of the Act read with IFSCA (Registration of Insurance Business) Regulations, 2021 and notifications issued under section 2CA of the Act have been complied with by the Applicant."

For more details visit:
https://egazette.nic.in/WriteReadData/2022/232424.pdf

10. SEBI Notification No. SEBI/LAD-NRO/GN/2022/63 dated January 14, 2022

Practicing Company Secretaries have been authorized under the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2022 issued vide Gazette Notification dated 14th January, 2022, to issue a Certificate of Compliance to the issuer certifying that the proposed preferential issue is being made in accordance with the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

For more details visit:
https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2022_55351.html

11. IFSCA Circular No.: 29/IFSCA/DPM/TS/QJ/2021-2 dated January 19, 2022

The International Financial Services Centres Authority (IFSCA) in its Circular 329/IFSCA/DPM/TS/QJ/2021-22/1 dated 19th January, 2022 pertaining to Qualified Jewellers importing gold through India International Bullion Exchange has authorized Practicing Company

Secretaries to certify the average annual turnover in the last 3 financial years and net worth of the entity so as to be permitted to act as a "Qualified Jeweller".

For more details visit:
https://ifsca.gov.in/Viewer/Index/267

10. Ministry of Corporate Affairs (MCA): Clarification

Amendment to Schedule III to the Companies Act, 2013 vide MCA Notification GSR. 207(E) dated 24th March 2021 mandates companies to round off the figures appearing in the Financial Statements depending upon their total income. However, if the companies provide absolute figures in e-forms i.e. AOC-4, the same shall not be treated as incorrect certification by the Professionals.

Brief Analysis:

The MCA vide. Notification dated 24-03-2021 introduced an amendment in Schedule III of the Companies Act, 2013 whereby the companies were mandated to round off the figures appearing in the Financial Statements depending upon their total income. Now, the MCA has issued clarification that in case the companies provide an absolute figure in AOC-4, the same shall not be treated as an incorrect certification by the professionals.

For more details visit:
https://www.mca.gov.in/content/mca/global/en/home.html

Lesson 7- Segment-wise Role of Company Secretaries

1. Disclosure of Complaints against the Stock Exchange (s) and the Clearing Corporation

In order to bring about transparency in the Investor Grievance Redressal Mechanism, all the Stock Exchanges and the Clearing Corporations, with effect from January 01, 2022, shall disclose on their websites, the data on complaints received against them and redressal thereof, latest by 7th of succeeding month, as per the format enclosed at Annexure - 'A' to this circular. These disclosure requirements are in addition to those already mandated by SEBI.

For more details visit:
https://www.sebi.gov.in/legal/circulars/oct-2021/disclosure-of-complaints-against-the-stock-exchanges-and-the-clearing-corporations_53112.html

2. Investment Advisory Services and Portfolio Management Services for Accredited Investors

SEBI has prescribed the framework pertaining to fees for investment advisory services for Accredited Investors. Also, SEBI has specified the quantum and manner of exit load applicable to the client of the Portfolio Manager. It is provided that in case of accredited investors, the limits and modes of fees payable to the Investment Advisers will be governed through bilaterally negotiated contractual terms. In case of large value accredited investors, the quantum and manner of exit load applicable to the client of the Portfolio Manager will be governed through bilaterally negotiated contractual terms.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/investment-advisory-services-for-accredited-investors_54830.html
https://www.sebi.gov.in/legal/circulars/dec-2021/portfolio-management-services-for-accredited-investors_54828.html

3. SEBI launched "Saa₹thi" – SEBI's Mobile App on Investor Education (SEBI PR No. 3/2022 dated January 19, 2022)

Chairman, SEBI launched "Saa₹thi" – SEBI's Mobile App on Investor Education at a function held in Mumbai. Launching the SEBI App, Chairman said, "This Mobile App is yet another initiative of SEBI with a view to empowering investors with knowledge about securities market. With the recent surge in individual investors entering the market, and more importantly a large proportion of trading being mobile phone based, this App will be helpful in easily accessing the relevant information.

The SEBI Mobile App aims to create awareness among the investors about the basic concepts of Securities Market, KYC Process, trading and settlement, mutual funds, recent market developments, investor grievances redressal mechanism, etc. The App is available in Hindi and English. The Android and iOS versions of the App can be downloaded from Play Store and App Store respectively.

For more details visit:
https://www.sebi.gov.in/media/press-releases/jan-2022/sebi-chairman-launches-saa-thi-sebi-s-mobile-app-on-investor-education_55384.html

4. Guidelines on Accounting with respect to Indian Accounting Standards (IND AS) (SEBI Circular No.: SEBI/HO/IMD-II/DOF8/P/CIR/2022/12 dated February 04, 2022)

SEBI vide notification dated January 25, 2022 amended SEBI (Mutual Funds) Regulations, 1996, which, inter-alia, mandated that the AMCs shall prepare the Financial Statements and Accounts of the Mutual Fund Schemes in accordance with IND AS with effect from April 01, 2023. In this regard, SEBI has specified that the Mutual Fund Schemes shall prepare the opening balance sheet as on date of transition and the comparatives as per the requirements of IND AS. Mutual Fund schemes may not be mandatorily required to restate the previous years published perspective historical per unit statistics as per requirement of IND AS for the first two years from first time adoption of IND AS. The provisions of this Circular shall be effective from April 01, 2023.

For more details visit:
https://www.sebi.gov.in/legal/circulars/feb2022/circular-onguidelines-onaccounting-withrespect-to-indianaccounting-standardsind-as-_55919.html

5. Audit Committee of Asset Management Companies (AMCs) (SEBI Circular No.: SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/17 February 09, 2022)

Taking into account the recommendation of Mutual Fund Advisory Committee (MFAC) and the feedback received from the industry, SEBI has prescribed that the AMCs of mutual funds shall be required to constitute an Audit Committee. The role, responsibility, membership and other features of the Audit Committee of AMC are detailed in this circular. Currently, the requirement for an Audit Committee is at the level of trustees of Mutual Funds.

For more details visit:
https://www.sebi.gov.in/legal/circulars/feb-2022/circular-on-audit-committee-of-asset-management-companies-amcs-_55987.html

6. **Separation of role of Chairperson and MD/CEO (SEBI PR No. 5/2022 dated February 15, 2022)**

Considering constraints posed by the prevailing pandemic situation and with a view to enabling the companies to plan for a smoother transition, as a way forward, SEBI Board, in its meeting decided that the provision for separation of role of Chairperson and MD/CEO may not be retained as a mandatory requirement and instead be made applicable to the listed entities on a "voluntary basis". Earlier, the top 500 listed companies by market capitalisation had to mandatorily separate the role of the Chairperson and MD/CEO from April 01, 2022, following the two years extension given by the SEBI. The SEBI Board, in its meeting of March 2018, had considered and approved the proposal relating to separation of the role of Chairperson and MD/CEO of listed companies.

For more details visit:
https://www.sebi.gov.in/media/press-releases/feb-2022/sebi-board-meeting_56076.html

7. Amendment in the notification pertaining to application for Fast Track Corporate Insolvency Resolution Process (MCA notification no. S.O. 4142(E) dated 30th August, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated August 30, 2022 has notified the amendment in the notification no. S.O. 1911(E) dated June 14, 2017.

As per the amendment, an application for fast track corporate insolvency resolution process may be made in respect of the following corporate debtors, namely:

(a) A small company as defined under clause (85) of section 2 of Companies Act, 2013; or

(b) A Startup (other than the partnership firm) as defined in the notification of the Government of India in the Ministry of Commerce and Industry number G.S.R. 127(E), dated the 19th February, 2019, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), dated the 19th February, 2019 and as amended from time to time; or"

(c) An unlisted company with total assets, as reported in the financial statement of the immediately preceding financial year, not exceeding rupees one crore.

Brief Analysis:

Through this notification, Government of India has notified that an application for fast track corporate insolvency resolution process may be made also by a Startup (other than the partnership firm).

For more details visit:
https://egazette.nic.in/WriteReadData/2022/238571.pdf

Lesson 8- Audits

1. Frequently Asked Questions (FAQs) on Corporate Social Responsibility (CSR) (General Circular No: 14/2021, Dated August 25, 2021)

In view of several amendments in Section 135 of the Companies Act, 2013 as well in the CSR Rules, the MCA has issued an updated set of Frequently Asked Questions (FAQs) on the Corporate Social Responsibility (CSR) for better understanding and effective implementation.

Some of FAQs are mentioned below:

S.no	Question	Answer
1.3	Whether provisions of CSR are applicable to a section 8 Company?	Yes, section 135(1) of the Act commences with the words "Every company....." and thus applies to section 8 companies as well.
2.6	What is the role of the Government in monitoring compliance of CSR provisions by companies?	The Government monitors the compliance of CSR provisions through the disclosures made by the companies in the MCA 21 portal. For any violation of CSR provisions, action can be initiated by the Government against such non-compliant companies as per provisions of the Companies Act, 2013 after due examination of records, and following due process of law. Noncompliance of CSR provisions has been notified as a civil wrong w.e.f. 22nd January, 2021.
3.1	How is average net profit calculated for the purpose of section 135 of the Act? Whether 'profit before tax' or 'profit after tax' is used for such computation?	The average net profit for the purpose of determining the spending on CSR activities is to be computed in accordance with the provisions of section 198 of the Act and will also be exclusive of the items given under rule 2(1)(h) of the Companies (CSR Policy) Rules, 2014. Section 198 of the Act specifies certain additions/deletions (adjustments) to be made while calculating the net profit of a company (mainly it excludes capital payments/receipts, income tax, set-off of past losses). Profit Before Tax (PBT) is used for computation of net profit under section 135 of the Act.
3.5	Whether contribution to the corpus of an entity is an admissible CSR expenditure?	No, the provision relating to contribution to corpus as admissible CSR expenditure has been amended and the contribution to corpus of any entity is not an

		admissible CSR expenditure w.e.f. 22nd January, 2021.
3.6	Whether expenses related to transfer of capital asset as provided under rule 7(4) of Companies (CSR Policy) Rules, 2014, will qualify as admissible CSR expenditure?	Yes, the expenses relating to transfer of capital asset such as stamp duty and registration fees, will qualify as admissible CSR expenditure in the year of such transfer.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=GTatbQatWaZKl7Zzifcd9Q%253D%253D&type=open

2. Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites.

In order to facilitate investor awareness about various activities which an investor deals with such as opening of account, KYC and in person verification, complaint resolution etc., SEBI, has prepared an Investor Charter for Stock Brokers inter-alia detailing the services provided to Investors, Rights of Investors, various activities of Stock Brokers with timelines, DOs and DON'Ts for Investors and Grievance Redressal Mechanism which is placed at Annexure 'A' to this Circular. In this regard, Stock Exchanges are directed to advise Stock Brokers to bring the Investor Charter for Stock Brokers to the notice of their clients through disclosing the Investor Charter on their respective websites. Additionally , all the Stock Brokers shall disclose on their respective websites, the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month, as per the format enclosed at Annexure 'B' to this circular.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-investor-charter-and-disclosure-of-investor-complaints-by-stock-brokers-on-their-websites_54402.html

3. Publishing of Investor Charter and disclosure of Investor Complaints by Portfolio Managers/Mutual Funds/AIFs:

With a view to enhancing awareness of investors about the various activities which an investor deals with while availing the services provided by portfolio managers/Mutual Funds/ AIFs, an investor charter has been prepared by SEBI. The registered Portfolio Managers and Mutual Funds are advised to bring to the notice of their clients the Investor Charter by prominently displaying on their websites.

However, AIFs are advised to bring the Investor Charter to the notice of their investors by disclosing in the Private Placement Memorandum (PPM) in case of new schemes and by disclosing to the investors on their registered e-mail in case of existing schemes.

Additionally, in order to enhance transparency in the Investor Grievance Redressal Mechanism, all Portfolio Managers and Mutual Funds on a monthly basis shall disclose on their websites as well as on Association of Mutual Funds in India (AMFI) website, the data pertaining to all complaints including SCORES complaints received by them. The information shall be made available by 7th of the succeeding month. For effective monitoring, AIFs shall

maintain data on investor complaints, which shall be compiled latest within 7 days from the end of quarter. The provisions of these circulars shall come into effect from January 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-of-investor-charter-and-disclosure-of-investor-complaints-by-portfolio-managers-on-their-websites_54546.html
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-investor-charter-and-disclosure-of-complaints-by-aifs_54544.html
https://www.sebi.gov.in/legal/circulars/dec-2021/circular-on-investor-charter-and-disclosure-of-investor-complaints-by-mutual-funds-on-their-websites-and-amfi-website-_54545.html

4. Process and Benefits of Labour Law Audit

Process of Labour Audit-
1. Understand the business and nature of the organization, location of workplace and industry.
2. Understand the structure of manpower, number of human resources (on roll and outsourced), their roles and duties.
3. Ascertain the applicable Labour Laws, Rules, Regulations (both Central and State)
4. Make the list of relevant authorities and compliances. 5. Verify the present compliance level under various laws.

Benefits of Labour Audit to various stakeholders-
1. It enhances the morale and social security of the employees.
2. It helps in maintaining the sense of belongingness between employers and employees.
3. It ensures timely payment of wages, remuneration and other statutory amount of the employees such as – pension, gratuity, provident fund, etc.
4. The positive outcome of the audit enhances the reputation of the employer in the industry.
5. Audit eliminates the penalties, damages, compensation that can be imposed by the government on the organization.
6. Labour Audit will ensure compliance of historical defaults committed by the organization under various labour laws.
7. It reduces the burden of the government because audit will be conducted by an independent professional such as – Company Secretary in Practice.
8. It ensures higher productivity and lower absenteeism.
9. It helps in preventing lockout, retrenchment, strikes etc.
10. Co-operation and good understanding improves labour relations and this is indispensible for the good corporate governance.

5. Illustrative list of Audits which may be undertaken by a Company Secretary under various Statutes:

Type of Audit	Act/ Regulation	Section/ Regulation	Auditee
Secretarial Audit	The Companies Act, 2013	204	Company
Secretarial Audit	SEBI (LODR) Regulations, 2015	24A	Listed Entities
Internal Audit	The Companies Act, 2013	138	Company
Audit of Depository Participant	SEBI (Depositories and Participants) Regulations 2018 read with SEBI circular no. SEBI/ HO/ MRD/ DOP2-DSA2/ CIR/P/2019/22 dated January 23, 2019	76	Sole Proprietorship, partnership firm, LLP, Company
Internal Audit of Stock Brokers	SEBI (Stock and subbroker) Regulations 1993	SEBI circular no. MIRSD/ DPSIII/ Cir-26/ 08	Sole Proprietorship, HUF, Partnership Firm, LLP, Company
Internal Audit of Investment Advisors	SEBI (Investment Advisors) Regulations 2013	19(3)	Sole Proprietorship, Partnership Firm, LLP, Company
Internal Audit of Portfolio Managers	SEBI (Portfolio Managers) Regulations 1993	SEBI circular no. IMD/ PMS/ CIR/1/21727/ 03 dated November 18, 2003	Body Corporate
Internal Audit of Credit Rating Agencies	SEBI (Credit Rating Agencies) Regulations	SEBI circular no.MRD/	Public Financial Institution, Scheduled Commercial Bank, Foreign

	1999	CRA/ CIR01/2010 dated January 06, 2010	Bank operating in India with RBI approval, Foreign Credit Rating Agency recognised by or under any law, Company, Body Corporate
Internal Audit of Research Analysts	SEBI (Research Analysts) Regulation 2014	25(3)	Sole Proprietorship, Partnership Firm, LLP, Company

6. Publishing Investor Charter and disclosure of Investor Complaints by Stock Brokers on their websites (SEBI Circular No.: SEBI/HO/MIRSD/DOP/CIR/P/2021/676 dated December 02, 2021)

In order to facilitate investor awareness about various activities which an investor deals with such as opening of account, KYC and in person verification, complaint resolution etc., SEBI, has prepared an Investor Charter for Stock Brokers inter-alia detailing the services provided to Investors, Rights of Investors, various activities of Stock Brokers with timelines DOs and DON'Ts for Investors and Grievance Redressal Mechanism which is placed at Annexure 'A' to this Circular. In this regard, Stock Exchanges are directed to advise Stock Brokers to bring the Investor Charter for Stock Brokers to the notice of their clients through disclosing the Investor Charter on their respective websites. Additionally , all the Stock Brokers shall disclose on their respective websites, the data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month, as per the format enclosed at Annexure 'B' to this circular.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-investor-charter-and-disclosure-of-investor-complaints-by-stock-brokers-on-their-websites_54402.html

7. Publishing of Investor Charter and disclosure of Investor Complaints by Portfolio Managers/Mutual Funds/AIFs (SEBI Circular No.: SEBI/HO/IMD/IMD-II_DOF7/P/CIR/2021/681, SEBI/HO/IMD/IMD-I/DOF9/P/CIR/2021/682 dated December 10, 2021)

With a view to enhancing awareness of investors about the various activities which an investor deals with while availing the services provided by portfolio managers/Mutual Funds/ AIFs, an investor charter has been prepared by SEBI. The registered Portfolio Managers and Mutual Funds are advised to bring to the notice of their clients the Investor Charter by prominently displaying on their websites.

However, AIFs are advised to bring the Investor Charter to the notice of their investors by disclosing in the Private Placement Memorandum (PPM) in case of new schemes and by disclosing to the investors on their registered e-mail in case of existing schemes.

Additionally, in order to enhance transparency in the Investor Grievance Redressal Mechanism, all Portfolio Managers and Mutual Funds on a monthly basis shall disclose on their websites as well as on Association of Mutual Funds in India (AMFI) website, the data pertaining to all complaints including SCORES complaints received by them. The information shall be made available by 7th of the succeeding month. For effective monitoring, AIFs shall maintain data on

investor complaints, which shall be compiled latest within 7 days from the end of quarter. The provisions of these circulars shall come into effect from January 01, 2022.

For more details visit:

1. *https://www.sebi.gov.in/legal/circulars/dec-2021/circular-on-investor-charter-and-disclosure-of-investor-complaints-by-mutual-funds-on-their-websites-and-amfi-website-%20_54545.html*
2. *https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-of-investor-charter-and-disclosure-of-investor-complaints-by-portfolio-managers-on-their-websites_54546.html*
3. *https://www.sebi.gov.in/legal/circulars/dec-2021/publishing-investor-charter-and-disclosure-of-complaints-by-aifs_54544.html*

Lesson 9- Secretarial Audit

1. Non-compliance with certain provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018

SEBI issued a Circular bearing reference number SEBI/HO/CFD/DIL2/CIR/P/2019/94 dated August 19, 2019, specifying the fines to be imposed by the Stock Exchanges for non-compliance with certain provisions of SEBI (ICDR) Regulations, 2018. In partial modification of August 19, 2019 circular, para 9A is inserted which provides that the "Stock Exchanges may deviate from the provisions of the circular, wherever the interest of the investors are not adversely affected, if found necessary, only after recording reasons in writing".

F*or more details visit:*
https://www.sebi.gov.in/legal/circulars/nov-2021/non-compliance-with-certain-provisions-of-sebi-issue-of-capital-and-disclosure-requirements-regulations-2018_54130.html

2. SEBI Circular-Disclosure obligations of listed entities in relation to Related Party Transactions w.e.f April 01, 2022.

Capital markets regulator SEBI came out with disclosure requirements to be placed by listed entities before the audit committee and shareholders for consideration of related party transactions (RPTs). A listed entity will have to justify as to why the RPT is in its interest, besides, a copy of the valuation or other external party report will have to be submitted to the audit committee as well as shareholders for approval.

For more details visit:
https://www.sebi.gov.in/legal/circulars/nov-2021/disclosure-obligations-of-listed-entities-in-relation-to-related-party-transactions_54113.html

3. Clarifications with respect to Circular dated November 03, 2021, on 'Common and simplified norms for processing investor's service request by RTAs and norms for furnishing PAN, KYC details and Nomination'

SEBI, vide its Circular dated November 03, 2021, has laid down the common and simplified norms for processing investor's service request by Registrars to an Issue and Share Transfer Agents (RTAs) and norms for furnishing PAN, KYC details and Nomination. Based on the representations received from the Registrars Association of India (RAIN), SEBI has provided clarity on certain provisions and on the applicability of the aforementioned circular. Stock Exchanges and Depositories are advised to make necessary amendments to the relevant bye-laws, rules and regulations, operational instructions, as the case may be for the implementation of the above circular. The circular contains matters pertaining to phases for RTA to avail the soft copy of Form SH13/ISR 13 on its website; clarification on minor mismatch in signature; clarification on major mismatch in signature or Signature Card is not available; mismatch in name; additional documents admissible as documents for proof of address; clarification on KYC details across all folios of the holder, maintained by the RTA; Mode for providing documents / details by investors, etc.
For more details visit:

https://www.sebi.gov.in/legal/circulars/dec-2021/clarifications-with-respect-to-circular-dated-november-03-2021-on-common-and-simplified-norms-for-processing-investor-s-service-request-by-rtas-and-norms-for-furnishing-pan-kyc-details-_54602.html

4. The SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2022 (SEBI Notification No. : No. SEBI/LAD-NRO/GN/2022/64 dated January 14, 2022)

SEBI vide its notification dated January 14, 2022, has amended the provisions of SEBI (Foreign Portfolio Investors) Regulations, 2019.

The new regulation 43B has been inserted through this amendment which deals with exemption from strict enforcement of the regulations in other cases as follows:

The Board may suo motu or on an application made by a foreign portfolio investor, for reasons recorded in writing, grant relaxation from the strict enforcement of any of the provisions of these regulations, subject to such conditions as the Board deems fit to impose in the interests of investors and the securities market and for the development of the securities market, if the Board is satisfied that:

(a) the non-compliance is caused due to factors beyond the control of the entity; or
(b) the requirement is procedural or technical in nature.

The above mentioned application shall be accompanied by a non-refundable fee of US $ 1,000 payable by way of NEFT/ RTGS/ IMPS or any other mode allowed by the Reserve Bank of India in the designated bank account of the Board.

For more details visit:
https://www.sebi.gov.in/legal/regulations/jan-2022/securities-and-exchange-board-of-india-foreign-portfolio-investors-amendment-regulations-2022_55352.html

5. Extension of validity period under the Competition Act, 2002 (MCA Notification No.; S.O. 1192(E) dated march 16, 2022)

Ministry of Corporate Affairs vide its notification dated March 16th, 2022 and in exercise of the powers conferred by clause (a) of section 54 pertaining to exemption from the application of this Act, or any provision thereof, and for such period of the Competition Act, 2002, the Central Government, in the public interest, extended the validity of the exemptions for a period of further 5 years.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/234300.pdf

6. Clarification on applicability of regulation 23 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions (SEBI Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2022/40 dated March 30, 2022)

SEBI vide this circular has clarified that for an related party transaction (RPT) that has been approved by the audit committee and shareholders prior to April 1, 2022, there shall be no requirement to seek fresh approval from the shareholders. The RPT that has been approved by the

audit committee prior to April 1, 2022 which continues beyond such date and becomes material as per the revised materiality threshold shall be placed before the shareholders in the first General Meeting held after April 1, 2022.

Further, provided that the explanatory statement contained in the notice sent to the shareholders for seeking approval for an RPT shall provide relevant information so as to enable the shareholders to take a view whether the terms and conditions of the proposed RPT are not unfavorable to the listed entity, compared to the terms and conditions, had similar transaction been entered into between two unrelated parties.

For more details visit:
https://www.sebi.gov.in/legal/circulars/mar-2022/clarification-on-applicability-of-regulation-23-of-sebi-listing-obligations-and-disclosure-requirements-regulations-2015-in-relation-to-related-party-transactions_57398.html

7. **Frequently Asked Questions on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011**

SEBI has issued Frequently Asked Questions (FAQs) on SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations, 2011). These FAQs offer a simplistic explanation/clarification of terms/concepts related to the SAST Regulations, 2011, some of the FAQs are listed below:

a. What is meant by Takeovers & Substantial acquisition of shares?
   When an "acquirer" takes over the control of the "Target Company", it is termed as Takeover. When an acquirer acquires "substantial quantity of shares or voting rights" of the Target Company, it results into substantial acquisition of shares.
b. Under which situations is an open offer required to be made by an acquirer?
   If an acquirer has agreed to acquire or acquired control over a target company or shares or voting rights in a target company which would be in excess of the threshold limits, then the acquirer is required to make an open offer to shareholders of the target company.
c. Can a person holding less than 25% of the voting rights/ shares in a target company, make an offer?
   Yes, any person holding less than 25% of shares/ voting rights in a target company can make an open offer provided the open offer is for a minimum of 26% of the share capital of the company.
d. What is the basis of computation of the creeping acquisitions limit under Regulation 3(2) of Takeover Regulations 2011?
   For computing acquisitions limits for creeping acquisition specified under regulation 3(2), gross acquisitions/ purchases shall be taken in to account thereby ignoring any intermittent fall in shareholding or voting rights whether owing to disposal of shares or dilution of voting rights on account of fresh issue of shares by the target company.
e. Whether hostile offers/bids are permitted under the new regulations?
   There is no such term as hostile bid in the regulations. The hostile bid is generally understood to be an unsolicited bid by a person, without any arrangement or MOU with persons currently in control. Any person with or without holding any shares in a target company, can make an offer to acquire shares of a listed company subject to minimum offer size of 26%.

For more details visit:
https://www.sebi.gov.in/sebi_data/faqfiles/mar-2022/1648620806406.pdf

8. Clarification on applicability of Regulation 23(4) read with Regulation 23(3)(e) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in relation to Related Party Transactions (SEBI Circular No.: SEBI/HO/CFD/CMD1/CIR/P/2022/47 dated April 08, 2022)

In order to facilitate listed entities to align their processes to conduct AGMs and obtain omnibus shareholders' approval for material related party transactions (RPTs), it has been specified that the shareholders' approval of omnibus RPTs approved in an AGM shall be valid upto the date of the next AGM for a period not exceeding fifteen months. In case of omnibus approvals for material RPTs, obtained from shareholders in general meetings other than AGMs, the validity of such omnibus approvals shall not exceed one year.

For more details visit:
https://www.sebi.gov.in/legal/circulars/apr2022/clarification-onapplicability-ofregulation-23-4-readwith-regulation-23-3-eof-the-sebi-listingobligations-anddisclosurerequirementsregulations-2015-inrelation-to-relatedparty-transactio-57807.html

Lesson 10- Internal Audit and Performance Audit

CASE STUDY ON FRAUDS AND ROLE OF INTERNAL AUDITOR

1. SATYAM COMPUTER SERVICES FRAUD, INDIA

Background

Satyam Computer Services Limited was founded in 1987 in Hyderabad, by RamalingaRaju. Raju served as Chairman, his brother, B. Rama Raju, served as the Managing Director and Chief Executive Officer. It specialised in outsourcing IT and business process services. It began as a small company with only 20 employees quickly grew to become India's leading outsourcing company, employing over 53,000 people and serving over 650 companies worldwide. The company was listed on stock exchanges around the world, including the New York Stock Exchange and the Bombay Stock Exchange. On 16 December 2008, the Satyam board made the decision to invest $1.6 billion in Maytas Properties and Infrastructure without the agreement of their shareholders. Later it came to light that this was a last ditch attempt to fill the fictitious assets of Satyam with real ones acquired through Maytas. This move was highly criticised by investors and led to the company's stock plummeting on the New York Stock Exchange. As a result, the board of Satyam reversed the decision.

The Satyam fraud went on for a number of years and involved both the manipulation of balance sheets and income statements. Audit failure was a key factor in the failure of Satyam. The fraud was so apparent that it should have been spotted much earlier by auditors, before it grew to such a serious extent.

Accounting Manipulation

Revenues, operating profits, interest liabilities and bank balances were grossly inflated to show the company in good health. It presented a growing problem as facts had to be doctored to keep showing healthy profits for Satyam that was growing in size and scale.

Every attempt made to eliminate the gap failed. On 7th January 2009, the chairman of Satyam, Raju resigned, confessing that he had manipulated the accounts in several forms. Raju made shocking disclosure to the Board of Directors of Satyam that the financial statement contained:

• Inflated Cash and Bank Balance of Rs.50.4 Billion.

• Non-existent accrued interest of Rs.3.76 Billion.

• An understated liability of Rs.12.30 Billion on account of funds arranged by Raju.

• An overstated Debtors position of Rs.4.90 Billion.

The company's global head of internal audit, V.S. Prabakar Gupta created fake customer identities, generated fake invoices against their names to inflate revenue and illegally obtained loans for the company.

Satyam overstated its income nearly every quarter over the course of several years in order to meet analyst expectations. Fake invoices and bills were created using software applications such as 'Ontime' that was used for calculating hours put in by an employee.· A

secret programme was allegedly planted in the source code of the official invoice management system creating a user id 'Super User' with the power to hide or show the invoices in the system.

Raju explained his reasons for inflating revenues in his letter to the board:

"As the promoters held a small percentage of equity, their concern was that poor performance would result in a takeover, thereby exposing the gap." For the sake of meeting ambitious targets as well as gaining profits, Satyam lied to the stakeholders and the market about their financial health, attracting more investment into the company. Raju also created numerous bank statements to advance the fraud using his personal computer. He falsified the bank accounts to inflate the balance sheet with balances that did not exist. Furthermore, Raju created 6000 fake salary accounts and took the money from these accounts after it had been deposited. The cash so raised was used by Maytas (reverse name of Satyam) to purchase several acres of land across Andhra Pradesh to ride on a booming realty market.

Description	**March 31, 2008 In Million US $**	**March 31,2007 In Million US $**
Revenue	2138.10	1461.40
Trade Receivable- Short Term (a)	598.80	396.10
Trade Receivable- Long Term (b)	38.20	21.20
Unbilled Revenue (c)	81.50	38.60
Bank Deposits (d)	894.80	782.70
Total (a+b+c+d)	1613.30	1238.60

Role of Internal and External Auditors

Internal audit system in Satyam was ineffective as they did not discover that Raju and Gupta collaborated to hide the company's true financial information. Satyam had claimed $1.04 billion on its balance sheet in non-interest bearing deposits.

Pricewaterhouse (Pw) completely relied on the fixed deposit receipts and bank statements provided by the Chairman's office, without confirming the bank deposit independently. Pw failed to fulfill its role as an auditor as they should have noticed this large amount of bank balance and carried out further verification and substantive testing.

Table 4. Satym's Total Income and Audit Fees (Rs. In Millions)				
Year	2004-05	2005-06	2006-07	2007-08
Total Income (A)	35,468	50,122.2	64,100.8	83,944.8
Audit Fees (B)	6.537	11.5	36.7	37.3
% of B to A	0.0184	0.0229	0.0573	0.0444

Source: Annual Reports of Satyam, Percentage computed

PwC audit fees increased by 5.7 times over a period of four years (from 2004 to 2008). These inflated audit fees suggests that auditors may have been bribed in order to keep the fraud from being discovered and to allow Satyam to continue their accounting irregularities.

The Verdict

Central Government disbands Satyam board, to appoint its own 10 directors. On 9 April 2015, Raju and nine others were found guilty of collaborating to inflate the company's revenue, falsifying accounts and income tax returns, and fabricating invoices, among other findings, and sentenced to seven years imprisonment by Hyderabad court.

Unlike Enron collapse, in March 2012 Tech Mahindra, the information technology (IT) arm of Mahindra and Mahindra Ltd (M&M), completed merger process with Satyam Computer Services, creating the fifth-largest IT company based in India, four years after acquiring the Hyderabad-based firm.

2. OLYMPUS CORPORATION FRAUD, JAPAN

Background

Olympus was established on 12th October 1919. It initially specialized in microscope and thermometer businesses. In 1949, the name was changed again to Olympus Optical Co., Ltd. in an attempt to enhance its corporate image.

In 2003, the company made a fresh start as Olympus Corporation. In Greek mythology, Mt. Olympus is the home of the twelve supreme gods and goddesses. Olympus was named after this mountain to reflect its strong aspiration to create high quality, world famous products. Tsuyoshi Kikukawa was the board chairman and CEO.

Accounting Manipulation

British-born Michael Woodford was an Olympus veteran of 30 years, and previously executive managing director of Olympus Medical Systems Europa. As European Director in 2008, Woodford had noticed the "strange goings-on at the company" such as the Gyrus acquisition, which should have been within his scope but was instead handled from Tokyo. Woodford had set out to resign over the matter but stayed with Olympus after being reassured on the acquisition and being promoted to oversee Olympus' European businesses and appointed to the main Olympus board.

Fact

A Japanese monthly news magazine features economic information for readers. The magazine provides investigative reports. FACTA in the August 2011 issue said that Olympus had acquired from 2006 to 2008 three small companies — Altis, a medical waste recycling company, Humalabo, a facial cream maker, and News Chef, which makes plastic plates and containers for microwaves for US$773 million, but wrote down most of their value within the same fiscal year. The publication said that all three companies continued to post losses.

Apparently irregular payments for acquisitions had resulted in very significant asset impairment charges in the company's accounts and had come to Woodford's attention. He also wanted answers about the acquisition in 2008 of Gyrus Group Limited, a British medical equipment maker, for U.S. $2.2 billion.

Olympus had issued more than $600 million in preference shares "directly to AXAM Investment Limited, a company registered in the Cayman Islands, which is described as 'the portfolio manager for AXES Investment Limited LLC.'

Woodford wanted to know why Olympus had paid AXAM so much money to apparently "advise" Olympus on the acquisition of Gyrus. KPMG report, stated that Olympus hadn't accounted for the shares given to AXAM, and "in our opinion proper accounting records have not been maintained."

Olympus defended itself against allegations of impropriety when Woodford confronted Tsuyoshi Kikukawa, chairman of the Olympus board. Kikukawa called a special board meeting in October at company headquarters in Tokyo. The meeting began at 9:07. Kikukawa fired Woodford and didn't allow him to respond. The meeting ended at 9:15 a.m.

CEO blowing the whistle on his own Company

As a CEO, Woodford commissioned PricewaterhouseCoopers (PwC) to investigate the relationship and transactions with AXES/AXAM surrounding the acquisition of Gyrus. PwC released its report in October.

The PwC report also stated that "there appears to be potential misstatements made in Gyrus' 2009 audited accounts and potential unlawful financial assistance provide by Gyrus to Olympus in relation to the transaction."

After reaching London, Woodford then delivered the six letters and the replies together with the PwC report to the Britain's Serious Fraud Office, the FBI, the U.S. Department of Justice; the Japan Securities, Exchange and Surveillance Commission; the Tokyo Metropolitan Police; and the Tokyo Prosecutors Office. "Olympus needs a complete and utter forensics accounting,"

On 26 October, 2011 Kikukawa was replaced by Shuichi Takayama as chairman, president, and CEO. On 8 November 2011, the company admitted that the company's accounting practice was "inappropriate" and that concealment of more than 117.7 billion yen ($1.5 billion) money had been used to cover losses on investments dating to the 1990s.

The company blamed the inappropriate accounting on former president Tsuyoshi Kikukawa, auditor Hideo Yamada and executive vice-president Hisashi Mori.

The Verdict

In July 2013, Kikukawa and Mori were both sentenced to 3 years in prison, 5 years suspended. The auditor who had been party to the fraud was sentenced to 2.5 years in prison, 4 years suspended. Olympus was fined 700 million yen ($7 million USD). In April 2014, six banks filed a civil suit against Olympus over the fraud, seeking an additional 28 billion yen in damages.

Lesson 11- Concepts and Principles of Other Audits

1. SEBI (Prohibition of Insider Trading) (Second Amendment) Regulations, 2021 (August 5, 2021)

SEBI vide its notification dated August 05, 2021, amends the provisions of SEBI (Prohibition of Insider Trading) Regulations, 2015, which shall come into force on the date of their publication in the Official Gazette.
The amendments has been made in regulation 7D which provides that the Board may at its sole discretion, declare an Informant eligible for Reward provided that the amount of Reward shall be ten percent of the monetary sanctions and shall not exceed Rupees 10 crores (earlier Rs. 1 crores) or such higher amount as the Board may specify from time to time.
Further, a new sub-regulation 7D (1A) has been inserted which provides that if the total reward payable is less than or equal to Rupees One Crore, the Board may grant the said reward upon the issuance of the final order by the Board.
Provided that in case the total reward payable is more than Rupees One Crore, the Board may grant an interim reward not exceeding Rupees One Crore upon the issuance of the final order by the Board and the remaining reward amount shall be paid only upon collection or recovery of the monetary sanctions amounting to at least twice the balance reward amount payable.

For more details visit:
https://www.sebi.gov.in/legal/regulations/aug-2021/securities-and-exchange-board-of-india-prohibition-of-insider-trading-second-amendment-regulations-2021_51932.html

2. National Stock Exchange launches NSE Prime

NSE launched a new corporate governance initiative – 'NSE Prime', that NSE-listed companies can adopt voluntarily. NSE Prime is a framework that prescribes higher standards of corporate governance for listed Companies than those required by regulations. Additional disclosure requirements have also been prescribed to provide for a higher quality of public information and greater transparency. Listed companies that voluntarily choose to be part of NSE Prime will need to comply with pre-defined norms on an ongoing basis, which will be monitored by NSE.

For more details visit:
https://economictimes.indiatimes.com/markets/stocks/news/national-stock-exchange-launches-nse-prime/articleshow/88416821.cms

3. Clarification on spending of CSR funds for "Har Ghar Tiranga" campaign (MCA General Circular No. 08/2022 dated 26th July, 2022)

`Har Ghar Tiranga', a campaign under the aegis of Azadi Ka Amrit Mahotsav, is aimed to invoke the feeling of patriotism in the hearts of the people and to promote awareness about the Indian National Flag. In this regard, it is clarified that spending of CSR funds for the activities related to this campaign, such as mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities, are eligible CSR activities under item no. (ii) of

Schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture. The companies may undertake the aforesaid activities, subject to fulfillment of the Companies (CSR Policy) Rules, 2014 and related circulars/ clarifications issued by the Ministry thereof, from time to time.

Brief Analysis:

The Ministry of Corporate Affairs has issued clarification on spending of CSR funds for Har Ghar Trianga on 26th July, 2022. As per the clarification issued, spending of CSR funds for activities related to it like mass scale production and supply of the National Flag, outreach and amplification efforts and other related activities will be eligible as CSR activities of Schedule VII of the Companies Act, 2013 pertaining to promotion of education relating to culture.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=dXH1ziMu%252FmN%252BBSRLHN9evw%253D%253D&type=open

4. The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 (MCA notification no. G.S.R 715(E) dated 20th September, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated September 20, 2022 has notified "the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022" which has come into force on the date of its publication in the Official Gazette. According to the amendment the proviso to rule 3(1) has been inserted stating that, a company having any amount in its Unspent Corporate Social Responsibility Account as per section 135(6) shall constitute a CSR Committee and comply with the provisions contained in sub - sections (2) to (6) of the said section."

In case of CSR implementation, the Board shall ensure that the CSR activities are undertaken by the company itself or through a company established under section 8 of the Act, or a registered public trust or a registered society, exempted under sub -clauses (iv), (v), (vi) or (via) of clause (23C) of section 10 or registered under section 12A and approved under 80 G of the Income Tax Act, 1961, established by the company, either singly or along with any other company; or a company as mentioned above is having an established track record of at least three years in undertaking similar activities. Further, a Company undertaking impact assessment may book the expenditure towards Corporate Social Responsibility for that financial year, which shall not exceed two percent of the total CSR expenditure for that financial year or fifty lakh rupees, whichever is higher; and the format for the annual report on CSR activities to be included in the board's report for financial year commencing on or after the 1st day of April, 2020 has been substituted.

Brief Analysis:

The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2022 was introduced on September 20, 2022 by the Ministry of Corporate Affairs. The following changes have been brought about by the Amendment Rules:

(a) Companies are required to establish a CSR committee to monitor the execution of their CSR commitments and in particular any funds in their "Unspent Corporate Social Responsibility Account".

(b) The Amendment provide that the cost of social impact assessments, which can be considered as CSR spending, cannot be greater than 2% of all CSR expenditures for the applicable financial year or Rupees 50 lakh, whichever is higher.

(c) The Amendment also provide for a new format for the annual report on CSR activities. All companies are required to provide the information in the annual report with respect to brief explanation of its CSR policy, Information about the members of the CSR committee, Web - links to the company's website where the CSR Committee's membership, CSR policy, and CSR projects approved by the board are listed and Executive summary and web links for the impact assessments of CSR projects.

For more details visit:
https://www.mca.gov.in/bin/dms/getdocument?mds=1Wt3uUYzV0rGCr2Vxa8ztQ%253D%253D&type=open

Lesson 12- Audit Engagement

1. Clarification regarding amendment to SEBI (Portfolio Managers) Regulations, 2020

SEBI has issued Clarification regarding amendment to SEBI (Portfolio Managers) Regulations, 2021. It is clarified that a Manager of an AIF who is also a SEBI registered Portfolio Manager, and intends to offer Co-investment services through portfolio management route, shall do so only under prior intimation to SEBI. Further, Portfolio Managers shall submit a monthly report regarding their portfolio management activity, on SEBI Intermediaries Portal within 7 working days of the end of each month, as per the revised format which includes details of Co-investment offered by Portfolio Manager. Portfolio Managers shall also furnish a report to their clients on a quarterly basis, as per the revised format, which includes details of Co-investment offered by Portfolio Manager.

For more details visit:
https://www.sebi.gov.in/legal/circulars/dec-2021/clarification-regarding-amendment-to-sebi-portfolio-managers-regulations-2020_54528.html

Lesson 18- Values, Ethics and Professional Conduct

Cases on Values, Ethics and Professional conduct

1. IDBI Bank

The first example relates to the government's decision to sell its stake in IDBI Bank to the Life Insurance Corp. of India (LIC). IDBI Bank's non-performing assets (NPAs) have been mounting, as have been its losses. Its capital adequacy barely meets the regulatory benchmarks. In short, the bank is floundering without a visible lifeline. The government, as the largest shareholder, provided one tranche of capital infusion but clearly that was not enough.

The speed at which the IDBI-LIC deal was approved seems to indicate that an inherent hierarchical priority has been superimposed over the IRDAI's approval process.

Thereafter, the government was faced with three choices. One, to provide more capital. But the government's kitty is limited and must deal with competing claims. Two, it could extinguish the legal entity by either merging it with a stronger public sector bank or shutting it down. The former option involves consciously infecting another public sector bank with IDBI's bugs. Shutting it down, on the other hand, is a political risk in a pre-election year. Three, the government could sell it off, but no private sector bank would want to risk it. The next best solution: force-feed it to another public sector entity which cannot say no to the government.

Enter LIC, the government's preferred sick bay for ailing public sector banks, especially those which the government does not want to (or cannot) recapitalize, downsize or shut down. The transaction raises multiple questions about acceptable corporate governance norms.

First, how did LIC get the money to pay the government for its stake in IDBI Bank?

Any money it pays out has to be from policyholders' funds, or the premium they pay to the insurance company every so often. Ideally, any excess money belongs to policyholders and must be returned to them after deducting expenses and provisions. This then raises ethical questions: are the funds invested in IDBI Bank sourced from the surplus which should have been returned to policyholders but has now been diverted? Also, theoretically, LIC's investment in IDBI Bank breaches the investment mandate approved by government and regulator.

The other issue is the regulator's discretionary powers. The Insurance Regulatory and Development Authority (IRDAI) seems to have approved the IDBI-LIC deal in record time. In most other cases, IRDAI takes its time in assessing risks to policyholders and the impact any proposed deal is likely to have on the industry and its stability. The speed at which the IDBI-LIC deal was approved seems to indicate that an inherent hierarchical priority has been superimposed over the regulator's approval process, which accords undue urgency to deals involving the government. This is a dangerous precedent.

It can be argued that saving the bank is part of the sovereign's social and moral contract: It is duty-bound to ensure financial stability (which includes safety of depositors' money), save jobs and make all efforts to ensure asset turnaround. And, the argument goes, the government can circumvent some of the rules for this purpose.

Focusing on asset turnaround is also the philosophical keystone for the current bankruptcy and resolution process. The Committee Report on Resolution of Stressed Assets, or Sashakt, also echoes similar values. If we consider IDBI Bank to be a stressed asset, then its resolution process contradicts some of the committee's suggestions: transparent market-based solution, free from government intervention, paradigm shift in governance and risk process.

Source: Live Mint Published on July 09, 2018 title Corporate Governance Lessons from IDBI-LIC deal and ICICI Bank.

2. ICICI Bank

The second example where corporate governance questions arise relate to ICICI Bank and the raging debate over the board's embarrassing flip-flops. The same board seems to have now waded into deeper, murkier waters in their attempts to ameliorate the early situation.

The board belatedly, and probably under pressure, has agreed to an independent probe into allegations of impropriety by chief executive Chanda Kochhar, who is on leave till the enquiry is complete. Thereafter, the board's process for selecting a new chief operating officer (COO) designate in Sandeep Bakhshi seemed as arbitrary and opaque. Interestingly, the press release announcing the board's decision to appoint Bakhshi as COO includes an intriguing statement: "Mr. Bakhshi will report to Ms Chanda Kochhar, who will continue in her role as MD & CEO of ICICI Bank... During her period of leave, the COO will report to the Board." If Bakhshi has to report to Kochhar for the next five years, assuming she gets a clean chit, how much discretion and independence will he exercise now?

Former bureaucrat Girish Chaturvedi has been appointed as the new chairman though it is unclear how the selection was made. Was there any government intervention? The ICICI Bank board is yet to share the processes it adopted for selecting Chaturvedi. There are also news reports of Chaturvedi and Bakshi having interacted earlier—as insurance secretary and chief executive officer (CEO) of ICICI Lombard, respectively. While it is good for any company to have the CEO and chairman acting in harmony, it is also true that too much familiarity breeds multiple evils, especially of the corporate governance type.

3. TATA'S

In another instances the Two of India's most iconic and respected companies have been hit by damaging publicity caused when their previous chairmen objected to the way the businesses were being run by their successors. In both cases, the main accusations have been that the new managements were breaking established traditions and ethics.

This has led to questions not only about the wisdom of the former chairmen's outbursts, but also what it has revealed concerning the general state of India's corporate integrity.

Tata, India's biggest and most respected conglomerate, has begun to emerge from its four months of damaging publicity with a new executive chairman, Natarajan Chandrasekaran, who took over on February 21, 2017 from Ratan Tata at Tata Sons, the main holding company.

Previously chairman for 21 years, Tata had reappointed himself as interim chairman on October 24, 2016 , when he organized a boardroom coup that ousted his successor, Cyrus Mistry, triggering legal challenges to his action and media exposure to negative aspects of his legacy.

The other blue-chip company under scrutiny is Infosys, which is widely regarded as one of the most ethical and entrepreneurially successful of India's big information technology companies, rivalled only by Tata's TCS and Wipro. The criticisms were launched with maximum publicity by Narayana Murthy, who founded Infosys 36 years ago and served as the company's first CEO. Questions were raised about boardroom ethics and were aimed primarily at the current chief executive officer, Vishal Sikka, and at R. Seshasayee, the chairman of the board and former head of Hinduja Group's Ashok Leyland and IndusInd Bank.

4. Hero MotoCorp

In Another instance, The country's largest two-wheeler maker Hero MotoCorp has sacked around 30 employees for violation of the company's code of conduct, These executives were found fudging travel expense bills, accepting personal favours, gifts and other benefits from some of vendors, suppliers and dealers in violation of the company's internal 'code of conduct'.

The executives were given marching orders after "thorough investigations" into the allegations against them, All due legal procedures were followed before taking the final action. Third-party independent investigators were appointed to look into these cases once the anomalies were detected in the activity record of these executives.

Stressing on the significance of the step, the official said," We have always had a clearly laid out Code of Conduct for all our employees and it is absolutely mandatory for everyone working at Hero to abide by it. Integrity and valuebased behaviour is a way of life at Hero and no one violating these principles has any place in this organisation".

Hero MotoCorp's management was unanimous in its view that the concerned employees could not continue in the company, once it was established. The employees were given due opportunities to present their cases. When confronted with evidence, they owned up to the wrongdoing, official said. He, however, declined to share the names and designations of the sacked employees.

Source https://economictimes.indiatimes.com/news/company/corporate-trends/hero-motocorp-sacks-around-30- employees-for-ethics-code-violation/articleshow/64064208.cms

5. PNB Fraud

In the matter of the PNB fraud, The CBI questioned a general manager of Punjab National Bank who handles the treasury section, in connection with the alleged Rs 12,636-crore fraud perpetrated by billionaire jeweler Nirav Modi and his uncle Mehul Choksi, The questioning came a day after the CBI arrested four people -- two employees and an auditor of Nirav Modi's group of companies, and a director of Gitanjali Group of Companies. It is alleged that Choksi and Modi got Letters of Undertakings (LoUs) and Foreign Letters of Credit (FLCs) of Rs 12,636 crore issued in favour of foreign branches of Indian banks based on fraudulent claims. The accused officials of PNB did not enter the instructions for these LoUs and in their internal software to avoid scrutiny. They were sent through an international messaging system for banking called SWIFT, which is used to pass instructions among banks globally to

transfer funds. An LoU is a guarantee which is given by an issuing bank to Indian banks having branches abroad to grant short-term credit to the applicant. In case of default, the bank issuing the LoU has to pay the liability to the credit giving bank along with accruing interest. The PNB officials allegedly sent these messages to Indian banks - Canara Bank, State Bank of India, Bank of India, Axis Bank, Allahabad Bank -- located in Antwerp, Hong Kong, Bahrain, Mauritius, Frankfurt without making entries in the banking software about the LoUs. Upon receiving the messages from PNB under SWIFT, the banks abroad transferred these amounts into Nostro account of PNB with them. Nostro account is an account that a bank holds in a foreign currency in another bank to enable foreign trade by its clients.

Cases on Business and Professional Conduct

1. **United Drags a Bloodied Passenger Off a Flight**

United Airlines felt the fallout worldwide when two security officers forcibly removed a bloodied passenger off an overbooked United flight Consumers worldwide reacted with horror and quickly called for a boycott. Making matters worse: United CEO Oscar Munoz apologized for the incident in rather sanitized corporate speak, saying "this is an upsetting event to all of us here at United" — underestimating just how viscerally disturbing the video had been, and how dissatisfied fliers were with the airline industry. Adding salt to the open wound, media reports revealed that Munoz had called Dao "disruptive and belligerent" in a letter to employees.

While the incident wasn't expected to hurt profits, the debacle struck a chord among consumers who have dealt with years of flagging service standards aboard flights. Even after Dao and United settled out of court, the frustrations unleashed upon airlines would not stop, with complaints against airlines up 13% in the six months following the incident, according to data from the U.S. Department of Transportation.

2. **21st Century Fox and Bill O'Reilly**

Sexual harassment allegations plagued many companies in 2017, including the entertainment giant 21st Century Fox. Fox's woes started in 2016, with former anchor Gretchen Carlson filing a lawsuit against Fox News Channel's news chief Roger Ailes, alleging sexual harassment. But it didn't stop there. it was reported that star commentator Bill O'Reilly had paid five millions to keep allegations of sexual harassment in the dark. Upon hearing the news, advertisers hastily suspended their segments during the O'Reilly Factor. By April, O'Reilly was out. Still, the news was upsetting to shareholders who considered the multiple allegations a sign of a company culture that allowed for sexual harassment. Adding fuel to the fire: Fox reportedly knew of the claims against O'Reilly when it decided to give him a new contract in January.Thus in November, Fox agreed to pay $90 million to settle shareholder claims related to the O'Reilly and Ailes scandal, and create a council focused on creating a proper workplace environment.

3. Alphabet and Face book

The year following the presidential election became one for Congress and internet titans to rethink their role in the democratic process. Amid speculation that fake news spread on social media may have influenced the 2016 elections, giants such as Facebook and Google appeared to dismiss the possibility. But that changed in 2017, with Facebook and Google which derive a major chunk of their revenue from ad placements both saying that they had found accounts tied to the Russian government. Facebook reported some 3,000 Kremlin-linked ads aimed at dividing the country that had been bought on its platform. Google, meanwhile, found tens of thousands of ads bought by Russia-linked entities on YouTube and Gmail. Twitter also revealed that a news outlet paid for by the Russian government, Russia Today, had spent $274,000 in ads on the platform in 2016.There's no indication that the questions will stop any time soon. Twitter, Facebook, and Google are still investigating how much Russian activity there had been on their platforms. Adding to big tech's big problems: Congress appears to be taking a harder stance against the sector, with some on Capitol Hill questioning the way they are getting users to keep coming back.

4. Harvey Weinstein's Multiple Sexual Assault Accusations

Weinstein's story is one that can't be concocted in even the most twisted of Hollywood films. Starting in October, more than 100 actresses came forward with accusations of sexual misconduct against the Hollywood kingpin dating back for decades. Weinstein apologized — but it wasn't enough to save the producer of Oscar-winning films from termination from Weinstein Co. Nor did it calm the public's growing outrage over how Weinstein had managed to maintain his position for so long.

In his attempts to silence those accusations, Weinstein allegedly hired ex-Mossad agents to tail the accusers in question. But as turns out, it wasn't just Weinstein's reported spies and threats that kept him in power, but also a following of billionaire friends that kept him safe within Weinstein Co., despite signs that Weinstein was using company funds for personal projects in 2015. Weinstein later agreed to repay more than $7 million to the company.

But perhaps the most significant sea change: It sparked a wave of once silent men and women to speak out about their experiences with sexual harassment. Weinstein has categorically denied taking part in any non-consensual sex.

5. Equifax's Data Breaches

Credit rating firm Equifax makes its profits from selling personal, often sensitive information to financial institutions and lenders. But in September, it revealed that it had been at the center of one of the worst data breaches in history, with the information of some 145 million people, about half of the U.S. population, compromised. In the aftermath, CEO Richard Smith stepped down, as well as its chief information officer and chief security officer, amid revelations that Equifax was aware of the system flaw that the hackers took advantage of since March. Then, when the hack did happen, the firm waited a full two months before disclosing it. Meanwhile, the Justice Department is reportedly looking into whether top Equifax executives committed insider trading when selling some $1.8 billion in shares just before the breach was disclosed.

6. Samsung's Bribery Charges

In 2016, Samsung dealt with exploding Note 7 batteries. In 2017, it was imploding corporate ranks. Originally planning to put their Lee Jae-yong at the head of the empire, the family-run Samsung conglomerate is now facing questions of succession after Lee was caught in a sprawling political scandal that took down former South Korean President Park Guen-hye. Lee Jae-yong is now facing five years (and potentially 12) in jail for offering allegedly offering bribes to Park, embezzlement, and hiding assets overseas. Samsung Electronics co-CEO Kwon Oh-hyun meanwhile also resigned in October, citing Samsung's leadership woes. "As we are confronted with unprecedented crisis inside out, I believe that time has now come for the company [to] start anew, with a new spirit and young leadership to better respond to challenges arising from the rapidly changing IT industry," he said in a statement. While Samsung's long-term health is still on shaky ground, the company's near-term outlook belies those worries. The company posted record-breaking profits in the third quarter of $12.8 billion, almost triple the number it posted a year earlier.

7. Kobe Steel, Mitsubishi Materials, and Japan's Corporate Governance Woes

Japan's economy notched its longest GDP growth streak since 2001 in the third quarter of 2017. But underlying it's steady recovery: A wave of quality-faking admissions from some of Japan's biggest companies that's has raised questions about the country's standing as a manufacturing powerhouse.

In October, Kobe Steel revealed that it falsified information on some items sold to Boeing, Ford, Toyota, and others since 2007; Mitsubishi Materials, which said it faked data on auto and airplane parts affecting some 274 clients; and Toray, a manufacturing giant that revealed that it had fudged data for cords used to reinforce tires since 2008.

Carmakers Nissan and Subaru also recalled 1.2 million and 395,000 vehicles respectively in 2017, saying unqualified inspectors were allowed to vet their cars in the final checks for decades. While the scandals haven't revealed any major safety issues, they are negative for Japanese businesses. As lower cost alternatives from China and South Korea have proliferated through the market, Japan has competed mainly by pointing to the high quality of its products as a bulwark.
Analysts, though, say the series of scandals that have come out in recent months suggest that those Japanese quality standards may have been set too high.

8. Wells Fargo's Woes Continue

After losing the trust of consumers in 2016 for creating millions of fake accounts, Wells Fargo struggled mightily to win back its customer base with promises of transparency and reform. But Wells Fargo's woes only deepened in 2017, when the company admitted that it had charged as many as 570,000 consumers for auto insurance that they did not need. Additionally, some 20,000 of those borrowers may have had their cars repossessed as a result. Wells Fargo said it would pay $80 million in remediation. Wells Fargo's head of

consumer banking and some 70 senior managers in the bank's retail banking segment were also cut as a result. In the same year, Wells Fargo also revealed that it had uncovered an additional 1.4 million fake accounts on top of the 2.1 million the bank previously disclosed had been created without consumer permission.

9. Apple's Slowed Down iPhones

The tech giant's year ended with a bang, after reports that Apple had purposely slowed down older iPhones to compensate for decaying batteries. It appeared to feed into a long-time conspiracy theory among some Apple users: that the company had been purposely slowing down old models when a new version came out in a bid to force consumers to upgrade. Now, the company is facing lawsuits for allegedly slowing down the devices without first warning consumers. In response, Apple has apologized for slowing down the iPhones, calling it a "misunderstanding," and offered to sell battery replacements for $29 instead of the usual $79. Apple has said that once the battery is replaced, the iPhone's speed will pick up again.

10. Money-Laundering Scandals in Europe

Denmark's largest bank, Danske Bank, came under fire from authorities from multiple countries, as it was revealed that the bank's Estonian branch may have assisted in money-laundering of up to EUR 200 billion. The bank was under investigation by authorities in multiple jurisdictions, including Denmark and the U.S. Then, Deutsche Bank's offices in Frankfurt were raided over suspicions of money-laundering related to the Panama Papers. In response to the scandals, European legislators have scrambled to improve anti-money laundering capabilities across the continent.

The revelations in the Danske Bank case came as a surprise to many, considering that Denmark is perceived internationally to be among the least corrupt countries in the world. In fact, 2018 has shown them that they need to be careful not to be blinded by the low perception of corruption in highly developed countries. What does this mean for compliance officers? Most importantly, compliance officers should continually check their own assumptions and biases about country risks and be prepared to adjust processes based on new information. Always keep in mind that perception and reality are not the same things.

Reference: *https://www.ganintegrity.com/blog/the-three-biggest-corporate-misconduct-stories-of-2018/*

11. Kingfisher Airlines (KLA)

KLA was another corporate fraud, which was first of its kind in the Airlines industry, which ultimately led to fall of the empire of King of good times. The airline was launched by flamboyant Vijay Mallya, well known as King of good times. Over a short period of time KLA established a reputation of finest private airline of the country, with high quality service standard and was enjoying second highest market share after Jet Airways.

The company resorted to borrowing funds by all possible means, including related parties and pledge of Kingfisher brand by over-valuation of brand value. Good times did not last long, and Vijay Malia had to sell its family jewel liquor and beer business to liquidate part of its debts.

Currently Vijay Malia is in the UK and fighting battle in courts to stop his repatriation into India. Consortium of banks led by SBI has exposure of around Rs, 9000 crores to now a virtually bankrupt airline. Most employees lost or quit jobs as salaries were nor paid for months together. The company went to the extent of defaulting in depositing statutory dues like PF, TDS deducted from salaries to government authorities. Kingfisher seems to me more of a case of business failures rather than corporate frauds.

Reference: http://www.lawstreetindia.com/experts/column?sid=488

12. ILFS

ILFS fraud was the largest corporate fraud in India and triggered a showdown in the economy, as the company was a key vehicle for infrastructure development of the country. Fraud occurred, in spite of marquee shareholders like LIC, SBI etc., being the largest shareholders, having representatives on board. ILFS had the largest debt exposure of around Rs. 91000 crores (including Rs, 20000 crores invested by PF and pension funds), Fraud was perpetrated mainly by:

- Diversion of borrowed funds to related entities of some of members of top management team
- Imprudent lending to parties who were not credit worth for ulterior motives
- Evergreening of loans by routing money from one group company to another through an unrelated party
- Over invoicing of project costs by vendors, accounting of fake expenses etc and difference being routed back to related entities of some of members of top management team
- Overstatement of profits by non- provisioning of loans, accounting of fake expense, inappropriate recognition of project revenue etc.
- The company had unprecedented number of subsidiaries and group companies, (346) which were used to route above transactions
- Non – disclosure of some of these companies as related parties
- Non-disclosure some of subsidiaries, associates, joint ventures

Most of the mutual funds, insurance companies and PF gratuity funds had invested large sums in its debt issuance, due to the high credit rating of the company. It was a case of negligence by reputed credit rating agencies that rating was not downgraded in spite of clear signs of financial stress in the company. Rating was downgraded abruptly to lowest level from the highest only after the company defaulted in its repayment obligations.

Surprisingly, this public interest entity, was run for years by the same top management team, who were treating ILFS as personal property. Their subordinates and even Board were so overawed by their overpowering persona that no one dared to challenge their decisions. Fraud was going on for years, but could not be detected till the damage was done.

Like Satyam, the government suspended the board and appointed eminent experts to the board chaired by reputed and seasoned banker, Uday Kotak. Currently the company is under resolution process and some of its infrastructure has been sold.
R*eference: http://www.lawstreetindia.com/experts/column?sid=488*

13. DHFL

DHFL was the first ever fraud in a housing finance company, which happened mainly due to active involvement of promoters in syphoning of funds and alleged money laundering. How fraud was committed:

• Granting of loans to related parties of promoters

• Loans granted to parties, who were not credit worthy or were unknown having same addresses in obscure locations

• Evergreening of bad loans

• Creation of around 6 lacs dummy accounts at one branch, using name of borrowers who had already repaid loans. These accounts were used to grant loans which were used to siphon funds to promoter companies. These loans ultimately turned out to be non-recoverable

• Utilisation of borrowed funds for personal purposes, such as acquiring personal properties, yachts etc. • Consequently, huge amounts were shown as recoverable in the balance sheet, which were not recoverable.

R*eference: http://www.lawstreetindia.com/experts/column?sid=488*

14. YES Bank

Fraud led to the unexpected and sudden fall of a private bank which was emerging as a good competition to other private banks. The bank had a differentiated business model, with focus on technology, branches network, focus on retail loans etc.

Promoter of the bank, Rana Kapoor had, over a short period of time, built an overwhelming image in the industry and had developed contacts with top industrialists of the country. Most of the decision making on key matters including large loans was centralised in his hands. He had the ambition to make YES Bank the largest private bank of the country. It was this ambition which perhaps led to the sharp downfall in fortunes of the bank, steeper than its rise to an eminent position in the banking industry.

• How fraud was committed:

• Imprudent lending practices

• Evergreening of loans

• Practice of charging high commission to borrowers, which was not in line with industry practices

• Overstatement of profits due to front loading of commission income

• Gross under provisioning of NPAs compared to RBI guidelines

During special inspection carried out by RBI (Asset quality reviews-AQR which was carried for all banks), significant differences were observed between actual and required provisioning for various years.

Finance ministry acted swiftly to restore the confidence in the banking system and a majority stake in the bank was acquired by SBI. Efforts are still on to ensure that the bank is restored to its original health by significant equity infusion by institutional investors and other measures.

Reference: http://www.lawstreetindia.com/experts/column?sid=488

Lesson 19- Due Diligence

1. Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2021

In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992, SEBI amended the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2021 inter-alia provides that in the event the acquirer makes a public announcement of an open offer for acquiring shares or voting rights or control of a target company, the acquirer may seek the delisting of the target company by making a delisting offer in accordance with this regulation.

The acquirer shall have declared his intention to so delist the target company at the time of making such public announcement of an open offer as well as at the time of making the detailed public statement.

For more details visit:
https://egazette.nic.in/WriteReadData/2021/231637.pdf

2. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2021 (SEBI Notification No. SEBI/LAD-NRO/GN/2021/60 dated December 06, 2022)

In exercise of the powers conferred under section 30 of the Securities and Exchange Board of India Act, 1992, SEBI amended the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Third Amendment) Regulations, 2021 inter-alia provides that in the event the acquirer makes a public announcement of an open offer for acquiring shares or voting rights or control of a target company, the acquirer may seek the delisting of the target company by making a delisting offer in accordance with this regulation.

The acquirer shall have declared his intention to so delist the target company at the time of making such public announcement of an open offer as well as at the time of making the detailed public statement.

For more details visit:
https://egazette.nic.in/WriteReadData/2021/231637.pdf

3. Disclosures in the abridged prospectus and front cover page of the offer document (SEBI Circular No.: SEBI/HO/CFD/SSEP/CIR/P/2022/14 dated February 04, 2022)

In order to further simplify, provide greater clarity and consistency in the disclosures across various documents and to provide additional but critical information in the abridged prospectus, the format for disclosures in the abridged prospectus has been revised and is placed at Annexure

A of this Circular. This Circular shall be applicable for all issues opening after the date of this Circular. While the disclosures in the abridged prospectus shall be as per Annexure A of this Circular instead of Annexure I of Part E of Schedule VI of SEBI (ICDR) Regulations, the disclosure on front outside cover page shall be as per Annexure B of this Circular.

For more details visit:
https://www.sebi.gov.in/legal/circulars/feb-2022/disclosures-in-the-abridged-prospectus-and-front-cover-page-of-the-offer-document_55920.html

4. Automation of disclosure requirements under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011-System Driven Disclosures - Ease of doing business(SEBI Circular No.: SEBI/HO/CFD/DCR-3/P/CIR/2022/27 datedMarch 07, 2022)

In order to streamline the capture and dissemination of the information related to "encumbrances" and thus bring in more transparency, it has been decided that all types of encumbrances as defined under Regulation 28 (3) of Takeover Regulations shall necessarily be recorded in the depository system. With effect from June 30, 2022, the depositories shall also devise an appropriate mechanism to record all types of outstanding encumbrances in the depository system. For the purpose of dissemination of this information, the stock exchanges shall also devise an appropriate mechanism for dissemination of disclosures under System Driven Disclosures in a simple readable pdf format. Reconciliation of data shall be conducted by listed companies, stock exchanges and depositories at least once in a quarter or immediately whenever any discrepancy is noticed. The provisions of this circular shall come into effect from July 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/mar-2022/automation-of-disclosure-requirements-under-sebi-substantial-acquisition-of-shares-and-takeovers-regulations-2011-system-driven-disclosures-ease-of-doing-business-_56655.html

5. Foreign Contribution (Regulation) Amendment Rules, 2022
(Ministry of Home Affairs notification no. G.S.R 506(E) dated 1st July, 2022)

The Ministry of Home Affairs (MHA) vide its notification dated 01st July, 2022 has notified "the Foreign Contribution (Regulation) Amendment Rules, 2022" which shall come into force on the date of its publication in the Official Gazette.

Brief Analysis:

The Ministry of Home Affairs has published the Foreign Contribution (Regulation) Amendment Rules, 2022 to further amend the Foreign Contribution (Regulation) Rules, 2011 which shall has come into force on the date of their publication in the Official Gazette i.e. 01-07-2022. Through this amendment, Rule 6 deals with an intimation of receiving foreign funds from relatives, which is amended to provide that the time period to notify the government regarding the overseas transaction has been extended from 30 days to three months. Accordingly, any person receiving a foreign contribution in excess of 10 lakhs or equivalent thereto in a financial year from any of his relatives shall inform the Central government (details of funds) within three months from the receipt of such contribution. The Foreign Contribution (Regulation) Act, consolidated the law to regulate the acceptance and utilization of foreign contribution or foreign hospitality by certain

individuals or associations or companies and to prohibit acceptance and utilization of foreign contribution or foreign hospitality for any activities detrimental to the interest of the nation and for matters connected therewith or incidental thereto.

For more details visit:
https://fcraonline.nic.in/home/PDF_Doc/FC_04072022.pdf

Lesson 20- Due Diligence – II – Non Compliances, Penalties and Adjudications

1. SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021

SEBI vide its notification dated November 09, 2021, amended the provisions of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, which shall come into force with effect from April 1, 2022 unless otherwise specified in the respective provision of the regulation. The amendment, *inter-alia*, has been carried out in the definition of Related Party and Related Party transactions and provides that any person or any entity, directly or on a beneficial interest basis as provided under section 89 of the Companies Act, 2013, holding 20 per cent or more equity shares in the listed entity during the immediate preceding financial year and 10% or more with effect from April 1, 2023, shall be deemed to be a related party.

For more details visit:
https://egazette.nic.in/WriteReadData/2021/230992.pdf

2. Case study on compounding

(a) In case of xxxxxxxx Ltd., a Public Limited Company:

Facts
An appeal was filed u/s 454(5) of Companies Act, 2013 read with Companies (Adjudication of Penalties) Rules, 2014 before the Regional Director. This appeal was filed against the order of Registrar of Companies adjudication a penalty for violation of section 92(5) and section 137 (3) of the Act. The imposed a penalty of Rs. 5,87,000/- on the company and its directors.

Order
The Regional Director found technical non-compliances by Adjudicating Officer and revised the Penalty from Rs. 5,87,000/- to Rs. 58,700/- i.e. 10 % of the actual penalty imposed by ROC.

(b) In the matter of xxxxxxx Ltd., a Public Limited Company

Facts
An appeal was filed u/s 454(5) of Companies Act, 2013 read with Companies (Adjudication of Penalties) Rules, 2014 before the Regional Director. This appeal was filed against the order of Registrar of Companies adjudication a penalty for violation of section 203 of the Act. The penalty was levied due to non appointment of a Company Secretary by the Company. In hearing, the company submitted before the ROC, Adjudicating Authority that they have appointed a Company Secretary in compliance of section 203 of Companies Act, 2013 and requested to condone the penalties on the grounds of the default being unintentional, first time default. ROC imposed a Penalty of Rs. 5,00,000/- on the company and 1,67,000 on the officer of the company.

Order

The appeal was filed before the Regional Director. The regional director revised the penalty to Rs. 1,25,000/- for the Company and Rs. 41,750 for the officer of the company.

3. SEBI (Settlement Proceedings) (Amendment) Regulations, 2022 (SEBI Notification No. NoSEBI/LAD-NRO/GN/2022/62 dated January 14, 2022)

SEBI vide its notification dated January 14, 2022, has amended the provisions of SEBI (Settlement Proceedings) Regulations, 2018 which has come into force on the date of their publication in the Official Gazette. The SEBI (Settlement Proceedings) Regulations, 2018 provides that the settlement terms may include a settlement amount and/or nonmonetary terms. Vide this amendment, SEBI has prescribed that the non-monetary terms may also include "restraining from accessing the securities market and/or prohibiting from buying, selling or otherwise dealing in securities, directly or indirectly and associating with the securities market in any manner for a specific period".

For more details visit:
https://egazette.nic.in/WriteReadData/2022/232643.pdf

4. Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2022 (MoF Notification No. S.O. 1802(E) dated April 12, 2022)

The Central Government amended the Foreign Exchange Management (Non debt Instruments) Rules, 2019. Rule 8 of the Foreign Exchange Management (Non-debt Instruments) (Amendment) Rules, 2022 inter alia provides that an Indian company may issue "employees' stock option", "sweat equity shares", and "Share Based Employee Benefits" to its employees or directors or employees or directors of its holding company or joint venture or wholly owned overseas subsidiary or subsidiaries who are resident outside India.

Provided that –

(a) the scheme has been drawn either in terms of regulations issued under the Securities and Exchange Board of India Act, 1992 or the Companies (Share Capital and Debentures) Rules, 2014 or as per other applicable law, as the case may be;
(b) the "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" so issued under the applicable rules or regulations are in compliance with the sectoral cap applicable to the said company;
(c) the issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" in a company where foreign investment is under the approval route shall require prior government approval;
(d) issue of "employee's stock option" or "sweat equity shares" or "Share Based Employee Benefits" to a citizen of Bangladesh or Pakistan shall require prior government approval. It may be noted that an individual who is a person resident outside India exercising an option which was issued when he or she was a person resident in India shall hold the shares so acquired on exercising the option on a non-repatriation basis.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/235070.pdf

Miscellaneous

1. SEBI Notification SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022

(SEBI notification F. No. SEBI/LAD-NRO/GN/2022/90 dated July 25, 2022)

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2022, which shall come into force on the date of their publication in the Official Gazette.

Vide this notification SEBI has prescribed the framework for Social Stock Exchange and inserted a separate Chapter X-A under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Social Stock Exchange means a separate segment of a recognized stock exchange having nationwide trading terminals permitted to register Not for Profit Organizations and / or list the securities issued by Not for Profit Organizations in accordance with provisions of these regulations. The provisions of the above mentioned Chapter shall apply to –

- a Not for Profit Organization seeking to only get registered with a Social Stock Exchange;
- a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange; and
- a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

Brief Analysis:

SEBI vide notification dated 25th July, 2022 has prescribed Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) (Third Amendment) Regulations, 2022 by inserting chapter X-A on Social Stock Exchange which will be applicable to: a) a Not for Profit Organization seeking to only get registered with a Social Stock Exchange; b) a Not for Profit Organization seeking to get registered and raise funds through a Social Stock Exchange; and c) a For Profit Social Enterprise seeking to be identified as a Social Enterprise under the provisions of this Chapter.

The chapter also states about the eligibility conditions for being identified as a Social Enterprise, requirements relating to registration for a not for profit organization, means of raising funds by social enterprises. The chapter also includes the concept of "Zero Coupon Zero Principal Instruments" their issuance, eligibility and public issue of Zero Coupon Zero Principal Instruments by Not for profit organization.

For more details visit:
https://egazette.nic.in/WriteReadData/2022/237561.pdf

2. Securities and Exchange Board Of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022 through which it has notified a new chapter IX-A which deals with obligations of social enterprises. The provisions of this Chapter shall apply

to Profit Social Enterprise whose designated securities are listed on the applicable segment of the Stock Exchange(s) and Not for Profit Organization that is registered on the Social Stock Exchange(s). A Social Enterprise whose designated securities are listed on the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, shall frame a policy for determination of materiality, duly approved by its board or management, as the case may be, which shall be disclosed on the Social Stock Exchange(s) or the Stock Exchange(s). The board and management of the Social Enterprise shall authorize one or more of its Key Managerial Personnel for the purpose of determining the materiality of an event or information and for the purpose of making disclosures to the Social Stock Exchange(s) or the Stock Exchange(s), as the case may be, under this regulation and the contact details of such personnel shall also be disclosed to the Social Stock Exchange(s) or the Stock Exchange(s). Further, a Social Enterprise, which is either registered with or has raised funds through a Social Stock Exchange or a Stock Exchange, as the case may be, shall be required to submit an annual impact report to the Social Stock Exchange or the Stock Exchange in the format specified by the Board from time to time. The annual impact report shall be audited by a Social Audit Firm employing Social Auditor.

Brief Analysis:

SEBI vide notification dated 25th July, 2022 has prescribed Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2022 by inserting chapter IX-A stating the below obligations of social enterprises:
i. Disclosures to be made by a 'For profit Social Enterprise' and by 'Not for profit organization';
ii. Intimations and disclosures by Social Enterprise of events or information to Social Stock Exchange(s) or Stock Exchange(s);
iii. Disclosures by a Social Enterprise in respect of social impact;
iv. Submission of statement of utilization of funds by a listed Not for Profit Organization to the Social Stock Exchange(s) etc.

For more details visit:
https://www.sebi.gov.in/legal/regulations/jul-2022/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-fifth-amendment-regulations-2022_61169.html

3. NSE Circular on use of digital signature certificate for announcements submitted by listed companies (NSE Circular Ref No: NSE/CML/2022/39 dated August 02, 2022)

Considering the advantages of using digital signature certifications for authentication of documents / filings, Stock Exchanges, in consultation with each other and SEBI, have decided to make it mandatory to file announcements under various SEBI Regulations using digital signature certification to the Stock Exchange except for Outcome of Board meeting which includes only financial result, any disclosure in which documents issued by entities other than listed company are included (For e.g., Auditors certificate, NCLT / other court's order, Credit Rating, etc.), Newspaper advertisement and any other disclosure as specified by Stock Exchanges from time to time. The circular shall be effective from September 01, 2022.

For more details visit:
https://www.sebi.gov.in/legal/circulars/jul-2020/use-of-digital-signature-certifications-for-authentication-certification-of-filings-submissions-made-to-stock-exchanges_47219.html

5. The Companies (Incorporation) Third Amendment Rules, 2022
(MCA notification G.S.R (E) dated 18th August, 2022)

The Ministry of Corporate Affairs (MCA) vide its notification dated August 18, 2022 has notified "The Companies (Incorporation) Third Amendment Rules, 2022" which has come into force on the date of its publication in the Official Gazette. According to the amendment, rule 25B is inserted in the Companies (Incorporation) Rules, 2014, stating physical verification of registered office of the company by the Registrar in terms of section 12(9) of the Companies Act, 2013 in presence of two witnesses of the locality.

The Registrar shall carry the documents as filed on MCA 21 in support of address of the registered office of the company for the purposes of physical verification and take a photograph of the registered office. Further a report of physical verification of the registered office of the company is also required to be in the prescribed format.

For more details visit:
https://www.mca.gov.in/bin/ebook/dms/getdocument?doc=MTcyODE0NDc2&docCategory=Notifications&type=open

6. Update on MCA21 Version – 3 (dated 24th August, 2022)

MCA21 version-3.0 is a technology driven forward-looking project, envisioned to strengthen enforcement, promote Ease of Doing Business and enhance user experience. MCA21 version-3.0 rollout has been planned in phases to ensure minimum disruption in regulatory filings. 09 company forms (CHG-1, CHG-4, CHG-6, CHG-8, CHG-9, DIR-3 KYC, DIR-3 KYC WEB, DPT-3 and DPT-4) are scheduled to go-live on 01.09.2022 (00:00 hrs). Remaining company forms and other modules like e-Adjudication, Compliance Management System are scheduled to be fully deployed within this Calendar Year.

For more details visit:
https://pib.gov.in/PressReleasePage.aspx?PRID=1854102

Note: Students appearing in June, 2023 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, ICSI & or other authority till November 30, 2022.